

456th meeting of the Accounts Commission for Scotland
Thursday 11 April 2019, 10.15am
in the offices of Audit Scotland, 102 West Port, Edinburgh

Agenda

1. **Apologies for absence.**
2. **Declarations of interest.**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 10 to 13 in private (* see note).
4. **Minutes of meeting of 7 March 2019**
5. **Audit Scotland Board update:** The Commission will consider a report by the Secretary to the Commission.
6. **Update report by the Secretary to the Commission:** The Commission will consider a report by the Secretary to the Commission.
7. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit providing an update on his recent activity.
8. **Local Government Independent Auditor's Reports:** The Commission will consider a report by the Associate Director (Audit Quality and Appointments).
9. **Best Value Assurance Report: Stirling Council:** The Commission will consider a report by the Controller of Audit.

The following items are proposed to be considered in private:*

10. **Best Value Assurance Report: Stirling Council:** The Commission will consider the actions that it wishes to take.
11. **New Code of Audit Practice and audit procurement – arrangements:** The Commission will consider a report by the Secretary to the Commission.
12. **Mainstreaming equality and equality outcomes progress report 2019: draft report:** The Commission will consider a report by the Chair of the Audit Scotland Equality and Human Rights Steering Group.
13. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 11 to 13 be considered in private because:

- Item 10 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.
- Item 11 requires the Commission to consider confidential policy, business and commercial matters.
- Item 12 proposes a draft report which the Commission is to consider in private before publishing.
- Item 13 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of meeting of 7 March 2019	AC.2019.4.1
Agenda Item 5: Report by Secretary to the Commission	AC.2019.4.2
Agenda Item 6: Report by Secretary to the Commission	AC.2019.4.3
Agenda Item 8: Report by Associate Director, Audit Quality and Appointments	AC.2019.4.4
Agenda Item 9: Report by the Controller of Audit	AC.2019.4.5
Agenda Item 11: Report by the Secretary to the Commission	AC.2019.4.6
Agenda Item 12: Report by Chair of the Audit Scotland Equality and Human Rights Steering Group	AC.2019.4.7

MEETING: 11 APRIL 2019

MINUTES OF PREVIOUS MEETING

Minutes of the 455th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 7 March 2019, at 10.15am.

PRESENT: Graham Sharp (Chair)
Andrew Burns
Andrew Cowie
Ronnie Hinds
Christine Lester
Tim McKay
Stephen Moore
Pauline Weetman
Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Gemma Diamond, Senior Manager, PABV (Item 10)
Leigh Johnston, Senior Manager, PABV (Item 9)
Fiona Kordiak, Director of Audit Services (Item 10)
Agata Maslowska, Auditor, PABV (Item 9)
Jillian Matthew, Senior Manager, PABV (Item 13)
Fiona Mitchell Knight, Audit Director, Audit Services Group (ASG) (Item 11)
Dave Richardson, Senior Audit Manager, ASG (Item 11)
David Sim, Benefits Auditor, ASG (Item 10)
Richard Smith, Audit Manager, ASG (Item 11)
Claire Sweeney, Audit Director, PABV. (Items 9 and 13)
Eva Thomas-Tudo, Senior Auditor, PABV (Item 11)
Fiona Watson, Audit Manager, PABV (Item 13)

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 7 February 2019
5. Minutes of Financial Audit and Assurance Committee of 21 February 2019
6. Minutes of Performance Audit Committee of 21 February 2019
7. Update report by the Secretary to the Commission
8. Update report by the Controller of Audit.
9. Briefing: public health
10. The future of housing benefit performance audit
11. Best Value Assurance Report – South Lanarkshire Council
12. Briefing: drug and alcohol services
13. Commission business matters

1. Apologies for absence

It was noted that Sophie Flemig, Sheila Gunn and Sharon O'Connor had submitted their apologies for absence.

2. Declarations of interest

The following declaration of interest was made:

- Geraldine Wooley, in items 7 and 16, as a member of the Scottish Housing and Property Chamber, in relation to references to housing matters.

3. Decisions on taking business in private

It was agreed that items 12 to 14 be considered in private because:

- Item 12 requires the Commission to consider actions in relation to the report presented in item 11.
- Item 13 is a briefing paper containing confidential policy matters for the Commission to consider.

No business was notified by members for item 14 and thus the Chair advised that the item would not require discussion.

4. Minutes of meeting of 7 February 2019

The minutes of the meeting of 7 February 2019 were approved as a correct record.

In discussion, the Commission noted advice from the Secretary:

- In relation to paragraph 10, that the joint work programme will be published on 26 March, but letters had already been sent to all of those who took part in the consultation exercise on the work programme proposals, advising them of the outcome of the consultation (and copies of these letters had been made available to members on the members' portal).
- In relation to paragraph 12, that the local government overview report would be published on 21 March 2019.

5. Minutes of Financial Audit and Assurance Committee meeting of 21 February 2019

The minutes of the meeting of 21 February 2019 were approved as a correct record.

6. Minutes of Performance Audit Committee meeting of 21 February 2019

The minutes of the meeting of 21 February 2019 were approved as a correct record, subject to the removal of Alan Campbell from the list of those present.

7. Update report by the Secretary to the Commission

The Commission considered a report by the Secretary providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

Following discussion, the Commission noted the report.

8. Update report by Controller of Audit

The Commission noted a verbal update from the Controller of Audit on his recent activity.

The Commission noted in particular an updated position on ongoing dialogue with councils on the application of current statutory regulations to councils' repayments of their loans fund advances, on which the Controller advised he would share with members an Audit Scotland position statement on the matter which had been shared with COSLA, CIPFA Directors of Finance Section and the Scottish Government.

Action: Controller of Audit

9. Briefing: public health

The Commission considered a report by the Director of PABV introducing a briefing paper on public health reform in Scotland, as requested by the Commission and Auditor General in their work programme.

In discussion, the Commission agreed to note advice from the Director :

- In response to queries from Ronnie Hinds and Geraldine Wooley, that he would monitor the development of accountability arrangements for the proposed special health board Public Health Scotland and report back as appropriate.
- In response to a query from Graham Sharp, that public health implications of gambling would be considered as part of Audit Scotland's policy cluster monitoring work and reported accordingly to the Commission.

Actions: Director of PABV

Following discussion, the Commission:

- Noted the briefing.
- Noted that the Director and policy cluster for health, care and communities would continue to monitor the matter with a view to reviewing risk and its implications for any future performance audit work in this regard.

Action: Director of PABV

10. The future of housing benefit performance audit:

The Commission considered a report by the Director of Audit Services proposing an approach to housing benefit performance audit, based upon the Commission's previous discussions on the matter in December 2018 and subsequent discussions between the audit team and the Department of Work and Pensions.

Following discussion, the Commission agreed:

- The proposed new approach to housing benefit performance audit, including a programme of work for 2019/20 incorporating:
 - Two thematic reviews covering overpayments and resourcing models
 - Two reviews of individual councils.

Action: Director of Audit Services

- That the Secretary, Chair and Director discuss the appropriateness of having Commission sponsors for this work.

Action: Secretary and Director of Audit Services

11. Best Value Assurance Report: South Lanarkshire Council

The Commission considered a report by the Secretary to the Commission presenting the Controller of Audit's Best Value Assurance Report for South Lanarkshire Council.

Following questions to the Controller of Audit, the Commission agreed to consider in private how to proceed.

12. Best Value Assurance Report – South Lanarkshire Council (in private)

The Commission discussed how to proceed in relation to the Controller of Audit's Best Value Assurance Report for South Lanarkshire Council.

Following discussion, the Commission agreed to make findings, to be published on 28 March 2019.

Action: Secretary

13. Briefing: drug and alcohol services in Scotland: (in private)

The Commission considered a report by the Director of PABV introducing a briefing on drugs and alcohol services, as requested by the Commission and Auditor General in their work programme.

In discussion, the Commission agreed:

- That a future lunchtime guest speaker session feature practitioners in this policy area.

Action: Secretary

Following discussion, the Commission:

- Noted the briefing.
- Noted that the Director and policy cluster for health, care and communities would continue to monitor the matter with a view to reviewing risk and its implications for any future performance audit work in this regard.
- Agreed that the briefing be shared in discussions between Audit Scotland and appropriate stakeholders.
- Agreed that the Director consider appropriate forms of such discussions, including round table events involving Commission members.
- Agreed that the Director consider the appropriateness of responding to the UK Parliament's Scottish Affairs Committee's call for evidence in its inquiry on Use and Misuse of Drugs in Scotland inquiry, using the briefing as the basis for such a submission.

Action: Director of PABV

14. Commission business matters

The Chair having advised that there was no business for this item, closed the meeting.

MEETING: 11 APRIL 2019

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT SCOTLAND BOARD UPDATE

Purpose

1. This report provides an update on the business of the Audit Scotland Board.

Background

2. Audit Scotland is established in statute to “provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions”.¹
3. Audit Scotland (i.e. its Board) consists of the Auditor General, the Chair of the Commission, and three other members.² These three members, including a Chair, are appointed by the Scottish Commission for Public Audit.³
4. As well as being a member of Audit Scotland’s Board, the Commission Chair is also a member of its two committees, the Audit Committee and the Human Resources and Remuneration Committee.
5. In *Public Audit in Scotland*⁴, the Commission, the Auditor General and Audit Scotland set out how they together deliver public audit in Scotland. They state that “by working together and each fulfilling our distinct roles, the Auditor General, the Accounts Commission and Audit Scotland will ensure a strong system of public audit works to support transparency and promote improvement in the performance of public bodies.”
6. To this end, the Commission at its meetings considers for its interest the business of Audit Scotland Board.

Current Board business

7. This report provides the Commission with the latest available minutes from the meeting of the Audit Scotland Board, in this case the meeting of 29 January 2019. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 18 March 2019, but the minute of this meeting is not yet publicly available as it is yet to be ratified by the Board. This will be available after the next Board meeting on 1 May 2019 and considered by the Commission at its May meeting.

¹ Public Finance and Accountability (Scotland) Act 2000, Section 10(3).

² Public Finance and Accountability (Scotland) Act 2000, Section 10(2).

³ The Scottish Commission for Public Audit was established under Section 12 of the Public Finance and Accountability (Scotland) Act 2000 and is made up of 5 MSPs. Its main areas of responsibility are to (a) examine Audit Scotland’s proposals for the use of resources and expenditure and report on them to the Parliament; (b) appoint an auditor to audit the accounts of Audit Scotland; (c) lay these accounts and auditor’s report before the Parliament; and (d) appoint three of the five members of Audit Scotland’s Board , including its Chair.

⁴ *Public Audit in Scotland*, Accounts Commission, Auditor General and Audit Scotland, May 2015.

9. The Commission has agreed however that the agenda for the most recent Board meeting be provided (even if the minute is not yet available). The agenda is attached in Appendix 2. The Chair will provide a verbal update on any relevant business for members' interest, and invites questions from members to this end.

Conclusion

10. The Commission is invited to consider this update for its interest and seek further information from the Chair as appropriate.

Paul Reilly
Secretary to the Commission
2 April 2019

Minutes



Tuesday 29 January 2019, 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

Present:

I Leitch (Chair)
C Gardner
G Sharp
H Logan
A Alexander

Apologies:

None

In attendance:

D McGiffen, Chief Operating Officer
M Walker, Assistant Director, Corporate Performance and Risk
J Webber, Senior Executive Assistant
F Kordiak, Director, Audit Services (item 10)
G Smail, Audit Director (items 10 and 11)
P O'Brien, Senior Manager, Professional Support (items 10 and 11)
E Barrowman, Senior Manager, Professional Support (item 11)
M Roberts, Senior Manager, Performance Audit and Best Value (item 12)
R Seidel, Audit Manager, Performance Audit and Best Value (item 12)
D Blattman, HR & OD Manager (item 13)
C Sweeney, Audit Director, Performance Audit and Best Value (item 13)
F Diggle, Auditor, Performance Audit and Best Value (item 13)
S Dennis, Corporate Finance Manager (item 18)
S Ebbett, Communications Manager (item 19)
A Clark, Audit Director, Performance Audit and Best Value (item 19)

1. Welcome and apologies

The Chair welcomed members and attendees to the meeting of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Friday 25 January 2019.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The members noted that items 18 and 19 would be taken in private to support the effective conduct of business and as the information in relation to the leased cars procurement is commercially sensitive.

4. Chair's report

Ian Leitch provided a verbal update on regular meetings with Diane McGiffen and Caroline Gardner on general business matters, the Budget meeting with Scottish Commission for Public Audit on 19 December 2018 and meetings in preparation for the forthcoming Board development session on Friday 8 February 2019.

The members welcomed the update.

5. Accountable Officer's report

Caroline invited the Board to note the large number of Section 22 reports towards the end of 2018 which in turn had led to a busy period of sessions at the Public Audit and Post Legislative Scrutiny Committee.

Caroline advised of forthcoming reporting on Scottish Income tax and of continuing discussions about the audit and accountability framework.

Caroline advised of a recent meeting with the Convenor of the Equality and Human Rights Committee, continued engagement with MSPs and her attendance at the Scottish Government Executive leader meeting on 8 January 2019.

Caroline welcomed the achievement of the Best Companies Survey results reported at Item 13 and highlighted the Audit Scotland Conference on 30 January 2018 which would be discussed at Item 14.

Caroline informed the Board of the announcement of the appointment of Gareth Davies as the new Comptroller and Auditor General at the National Audit Office.

Heather Logan asked whether the increase number of Section 22 reports had led to an increased workload for Audit Scotland and the firms and to what extent this would inform the next audit appointment procurement round. Caroline confirmed more work was required, however there was currently flexibility in the work programme to accommodate the work. She also advised that consideration would be given to assessing how statutory reporting should be reflected in the next procurement round.

The Board welcomed the update.

6. Accounts Commission Chair's report

Graham Sharp invited the Board to note that the Accounts Commission's first meeting of the year on 10 January 2019 had considered the Annual Review and Assurance report from the Controller of Audit and proposed changes to the focus and work of the Strategic Scrutiny Group. Graham advised that the next Accounts Commission meeting on Thursday 7 February 2019 would consider the draft Local Government Overview and the five year rolling work programme.

Graham invited the Board to note the recent publication of the Local Government Financial Overview report in November 2018 and the forthcoming follow up report on Social work in Scotland.

Graham advised of engagement with MSPs, attendance at the Local Government and Communities Committee and a meeting with Dumfries and Galloway Council following the publication of the Best Value report.

The Board welcomed the update.

7. Review of minutes

Board meeting, 28 November 2018

The Board considered the minutes of the meeting of 28 November 2018, which had been previously circulated, and agreed that these were an accurate record.

8. Review of actions tracker

The Board noted the updates provided by the action tracker.

9. SCPA report on Audit Scotland's 2019/20 budget proposal

Diane McGiffen, Chief Operating Officer, introduced the Scottish Commission for Public Audit (SCPA) report on Audit Scotland's 2018/19 budget paper, which had been previously circulated.

Diane invited the Board to note the fair and supportive report from the SCPA which set out support for the increased staff resourcing and management contingency in light of the new audit responsibilities and continued uncertainty in the operating environment.

The Board noted the report and welcomed the support of the budget proposal expressed by the SCPA.

10. Review of regulator / audit market study update.

Fiona Kordiak, Director, Gordon Smail, Audit Director, Audit Services and Paul O'Brien, Senior Manager, Professional Support, joined the meeting

Fiona Kordiak introduced the report which summarised the review of the Financial Reporting Council (FRC) carried out by Sir John Kingman on behalf of the Department for Business, Energy and Industrial Strategy (the Kingman Review), and the review undertaken by the Competition and Markets Authority (CMA).

Fiona invited the Board to note key points for consideration for the model of Public Audit in Scotland and proposed consultation with other audit agencies on the specific recommendations to consider and inform next year's audit quality activity and reporting.

Alan Alexander welcomed the report and invited consideration of increased openness and transparency by sharing the ICAS quality reports with the audited body and publishing the findings or reports. Fiona advised that this would require further development and discussion with ICAS.

During detailed discussion, the Board agreed there was a need to be alert to complacency in any audit model but noted a number of safeguards in the Public Audit Model in Scotland.

Heather Logan highlighted the need to ensure the consistency and clarity of reporting on audit quality, the need to be alert to any potential conflict issues arising from audit appointments and sought assurance around control mechanisms for additional work and fees. Fiona advised that the Audit Quality and Appointments team summarise the independent ICAS reports which are then referenced in the annual quality report and the quarterly reporting to the Audit Committee and the Accounts Commission. Fiona advised appointments are made by the Auditor General for Scotland or the Accounts Commission, that audit fees are set centrally and where there is additional work there is negotiation with the audited body to agree any additional fee.

Following discussion, Fiona advised that Professional Support will continue to monitor developments to identify any additional measures required as part of the quality review work. She also noted that the rotation, independence and audit fees were all core considerations in the preparation for the next procurement and appointments process which would be taking place over the next two years.

The Board discussed the potential changes to the audit market in light of the reviews and noted the very low levels of non audit work carried out in the public sector in Scotland.

Following discussion, the Board welcomed the update and recognised the need to remain vigilant with continued focus on audit quality and independence.

Fiona Kordiak left the meeting.

11. Professional Support update

Elaine Barrowman, Senior Manager, Professional Support, joined the meeting.

Gordon Smail, Audit Director introduced the Professional Support update paper, which had been previously circulated.

Gordon invited the Board to consider the report which reflected on achievements over the past year and future priorities for the team.

The Board welcomed the report and acknowledged the demand from the organisation to demonstrate audit quality through auditing standards.

Gordon advised that there is a core team of eight in the Professional Support team providing technical support and training to auditors. The Professional Support team work closely with the Audit Quality and Appointments (AQA) team on audit quality through the development of the Code of Audit Practice which auditors have to follow, while respecting AQA's independent role in providing assurance and reporting on audit quality to the Auditor General and Accounts Commission.

The Board explored the professional and contractual requirements for auditors in respect of professional codes, the Code of Audit Practice and supplementary guidance.

Following discussion, the Board acknowledged the development and work of the team in delivering support, advice and guidance and welcomed its future focus on continued team and service development.

Gordon Smail, Paul O'Brien and Elaine Barrowman left the meeting.

12. New financial powers and constitutional change update

Mark Roberts, Senior Manager and Rebecca Seidel, Audit Manager, Performance Audit and Best Value, joined the meeting.

Mark Roberts and Rebecca Seidel, introduced the New financial powers and constitutional change update report, which had been previously circulated.

Rebecca Seidel provided a verbal update of further developments following the issue of the report including confidence in the positive identification of tax payers.

Ian Leitch asked about the sense of general preparedness or otherwise of organisations for a no deal EU withdrawal. Mark Roberts advised that audit intelligence coming back from auditors was that the Scottish Government, COSLA and other individual audit bodies demonstrated that contingency planning for a no deal EU withdrawal was underway, in many bodies, and that in some cases this was displacing other work.

Following discussion, the Board welcomed the update.

Mark Roberts, Senior Manager and Rebecca Seidel, Audit Manager, Performance Audit and Best Value left the meeting.

13. Best Companies survey results

David Blattman, Human Resources & Organisational Development Manager, joined the meeting.

Diane McGiffen, Chief Operating Officer, introduced the Best Companies survey results, a copy of which had been previously circulated.

Diane invited the Board to note these were the highest scoring set of results in the ten years Audit Scotland colleagues have participated in the survey. She commented on the 84%

response rate giving the results high reliability. Despite the positive messages overall, initial consideration of the results showed some signs about the impact of pressures of work and resourcing and Diane advised that these would be explored further.

Heather Logan noted the gap between Audit Scotland and 1-star companies and asked what Audit Scotland could learn from others and do differently. Diane advised there is not a single answer and that the Leadership Group recognised that there are a number of areas to improve that individuals, teams, managers are supported and recognising the impact of the ambition and pace of change. Diane also advised of progress on fair deal and increased levels of engagement with trainees following their work to restructure training. On 'giving something back' Audit Scotland's commitment to supporting charitable activity has increased and Diane advised that £14,000 had been raised for the Brain Tumour Charity. Following nominations for Audit Scotland's next corporate charity, colleagues voted and Audit Scotland will be supporting the Scottish Association for Mental Health (SAMH) in 2019.

Following discussion, the Board welcomed the survey results and next steps.

David Blattman, HR & OD Manager, left the meeting.

14. Audit Scotland conference 2019 update

Claire Sweeney, Audit Director and Fiona Diggle, Auditor, Performance Audit and Best Value, joined the meeting.

Claire Sweeney, Audit Director, Performance Audit and Best Value provided a verbal update on the Audit Scotland 2019 conference.

Claire invited the Board to note that the theme of the conference was trust. She advised that the programme included Professor Sir John Curtice speaking about trust in public services and Sarah Howard the President of CIPFA speaking about trust on public audit in the afternoon.

The Board welcomed the update and acknowledged the appetite of contributors to participate in the conference and breakout sessions.

Claire Sweeney, Audit Director and Fiona Diggle, Auditor, Performance Audit and Best Value, left the meeting.

15. Any other business

There was no further business.

16. Review of meeting

The members agreed that items of business had been carefully considered and the Chair thanked everyone for their contributions.

17. Date of next meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 10.15am on Monday 18 March 2019 in the offices of Audit Scotland, 102 West Port, Edinburgh.

Items taken in private

18. Leased cars procurement

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis, Corporate Finance Manager, introduced the Leased Cars Procurement report, a copy of which had previously been circulated.

Stuart invited the Board to consider and approve the recommendation to award the lease car contract to Ogilvie for an initial three year period with the potential to extend for a further three years, as well as approval to discuss additional services that may be required with that supplier. Stuart invited the Board to note that the current contract had been extended as an interim measure in light of the retendering which had been required.

The Board acknowledged the reason for retendering the contract and discussed the merits of closing the scheme at some point in the future. Diane McGiffen advised that this will be reviewed again at key points but noted that affordability would be key.

Following discussion, the Board approved the award of the contract to Ogilvie and agreed additional services could be discussed.

Stuart Dennis, Corporate Finance Manager, left the meeting.

19. Stakeholder engagement update

Simon Ebbett, Communications Manager and Antony Clark, Audit Director, Performance Audit and Best Value, joined the meeting.

Simon Ebbett, Communications Manager, introduced the report and presentation and invited the Board to consider the feedback and the future priorities around parliamentary engagement.

The Board considered the positive feedback and the progress made in engaging with Parliament.

Antony Clark advised the stocktake of activity had provided a degree of assurance in terms of the engagement with and support for the Parliament.

Following discussion, the Board welcomed the report and future priorities.

Simon Ebbett, Communications Manager and Antony Clark, Audit Director, Performance Audit and Best Value, left the meeting.

Agenda



Monday 18 March 2019 at 10.45am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

1. Welcome and apologies
 2. Declarations of interests
 3. Decision on items to be taken in private For approval
-

Standing items

4. Chair's report – verbal update
 5. Accountable Officer's report – verbal update
 6. Accounts Commission Chair's report – verbal update
 7. Review of minutes: Board meeting 29 January 2019
 8. Review of action tracker
-

Strategy and planning

9. Q3 Financial performance report For information
 10. Corporate performance report For information
 11. Q3 Becoming world class improvement programme report For information
 12. 2018/19 Audit Scotland Annual report For information
 13. 2018/19 Operational budget For approval
 14. Business continuity planning: EU withdrawal For information
 15. Work programme and publication schedule For information
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Conclusion

16. Any other business
17. Review of meeting

18. Date of next meeting: 1 May 2019

Items to be taken in private

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------|
| 19. Medium term financial plan 2019-20 to 2023-24
[Item to be taken in private to support the effective conduct of business] | For discussion |
| 20. Preparations for audit procurement: Key milestones and context
[Item to be taken in private due to commercial sensitivity] | For approval |
| 21. Corporate plan update 2019/20
[Item to be taken in private to support the effective conduct of business] | For discussion |

MEETING: 11 APRIL 2019

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

UPDATE REPORT

Introduction

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.
2. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. This report also complements the weekly briefing provided by Audit Scotland's Communication Team made available on the extranet site, which provides more detailed news coverage in certain areas.
3. The information featured is also available on the Accounts Commission member portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

Commission business

Publications

4. On 21 March the Accounts Commission published the [Local government in Scotland: Challenges and performance 2019](#) report. Auditors found councils were maintaining or improving most services, but they cautioned that future reductions in Scottish Government funding and increasing demand meant changes to service delivery would be required. Almost 70% of council spending is on education and social care. When combined with ring-fenced funding for the delivery of Scottish Government policies, councils have limited flexibility in how they spend and save money.
5. On 28 March the Accounts Commission published the [Best Value Assurance Report for South Lanarkshire Council](#). The report noted that South Lanarkshire Council demonstrates strong leadership, has a good approach to the way it manages its finances and has delivered improvements to many services. However, it was also noted that the council needs to ensure that service redesign is driven by engagement with local communities.
6. Audit Scotland collects [media coverage](#) on all the reports published by the Accounts Commission. Audit Scotland also provides a weekly summary of the [key media stories regarding local government](#). Both are available through Audit Scotland SharePoint, on the Accounts Commission Members' Extranet.
7. The download statistics of the reports published over the last 12 months (as at 28 March) are set out in **Appendix 1**.

Other business

8. The process for appointing the next Deputy Chair for the Accounts Commission has recently commenced. This appointment is made by Scottish Ministers and will be for

up to four years with the possibility of being re-appointed for a further term. Applications for the post will close on 23 April 2019. The current Deputy Chair Ronnie Hinds, whose term of office with the Commission ends on 30 June, has done a [blog](#) as part of the recruitment campaign.

9. At its meeting on January, the Commission considered a report by the Director of PABV updating the Commission on the work of the Strategic Scrutiny Group. The Commission endorsed a set of recommendations set out in the report for consideration by the Strategic Scrutiny Group, to be done by Group initially at its next meeting in February. This meeting was subsequently cancelled with a subsequent meeting scheduled for May. The Director will therefore provide an update to the Commission at its June meeting.

Audit Scotland

10. On 22 March Audit Scotland published its [Gender pay gap 2019 report](#). This report, at the snapshot date of 31 March 2018, sets out the organisation's gender pay gap and gives an overview of the actions the organisation is taking to continue to reduce the gap. Audit Scotland's workforce, at the snapshot date of 31 March 2018, comprised 276 full pay relevant pay employees. 131 are males (47 % of the workforce) and 145 are females (53 % of the workforce). The average gender pay gap stands at 9.91%. The median gender pay gap is 7.96%. In comparison with the 2018 report, the gender pay gap has increased. The report notes that while equal pay for work of equal value is achieved through the use of our job evaluation system, the gender pay gap changes with the changing composition of our workforce from year to year.

Issues affecting local government

Scottish Government

11. On 26 February the Scottish Government published [figures that suggested a total of 94.4 per cent of school leavers entered a positive destination in 2017/18 compared with 87 per cent in 2009/10](#). The figures also show the gap between those from the most and least deprived communities achieving a positive destination has halved since 2009/10, with an increase in positive destinations for school leavers from both backgrounds. However, in 2017/18, just 25.7 per cent of school leavers from the most deprived areas went on to higher education, compared to 61.6 per cent of those from wealthier areas. The Scottish Government has welcomed the new figures but states that more work has to be done to close the gap between the richest and poorest communities.
12. On 5 March [the Scottish Government launched a consultation on Disability Assistance in Scotland](#). The consultation mentions Audit Scotland's role in monitoring and reporting on the social security system. Audit Scotland are not submitting a response to the consultation. It is proposed that the Commission also do not provide a response.
13. On 6 March [the Scottish Government announced that they would not be taking over the administration of Severe Disability Allowance](#). In a letter to the UK Government's Secretary of State for Work and Pensions, Amber Rudd MP, the Scottish Government stated that there would be no advantage to transferring recipients over to Social Security Scotland. The Department for Work and Pensions will continue to deliver the Severe Disability Allowance to recipients.
14. On 6 March [the Scottish Government announced that the Air Discount Scheme is being renewed and extended to December 2020](#). This scheme helps to subsidise the

cost of air fares for travellers living in Scotland's island and remote communities.

15. On 8 March [the Scottish Government published a framework for audit and accountability](#). The framework sets out the arrangements for ensuring that public services in Scotland can be properly audited to help the UK and Scottish Parliaments hold public bodies to account. Under the current devolution arrangements, some UK-wide public bodies will support the delivery of devolved functions in Scotland, specified UK-wide public bodies which carry out reserved functions in Scotland have additional obligations to the Scottish Parliament in respect of certain activities in Scotland, and some Scottish public bodies may be responsible for matters which continue to be of UK-wide interest. Where functions are devolved to the Scottish Parliament and a new public body is established to deliver these, that body will be brought within the existing accountability and audit framework, within the scope of the Auditor General for Scotland. The framework supports the policy principles set out in the Fiscal Framework and is intended to foster positive and productive relationships between the respective Parliaments, Executives and public bodies.
16. On 13 March [the Scottish Government announced the creation of the Brexit Support Grant](#). This fund will enable small and medium sized businesses to access funding up to £4,000 in order to assist them with any potential impact that may be caused from the UK's withdrawal from the European Union. Scottish Enterprise will administer the funding.
17. On 13 March [the Scottish Government, in partnership with COSLA, published their Keys to Life framework](#). The Keys to Life sets out plans to raise the profile of employing people with a learning disability, as well as improving experiences in school and improving the transition from school to further education or employment. The framework also covers healthy relationships and the right to become a parent.
18. On 15 March [the Scottish Government published a local government finance circular](#), containing the non-domestic rating interest rate for 2019-20.
19. On 20 March [the Scottish Government published GDP statistics for Q4 2018. The Scottish Government reported that the economy grew by 0.3% during the quarter](#). This was also a higher rate of growth than the rest of the UK, at 0.2%, and took Scotland's annual growth for 2018 up to 1.4%. In terms of individual sectors, agriculture, forestry and fishing saw its collective GDP value fall by 1.1%, but this was offset by a 0.8% rise in construction and a 0.5% rise in services.
20. On 20 March the Scottish Government [announced](#) that the 2003 Mental Health Act is to be independently reviewed.
21. On 21 March [the Scottish Government updated the financial memorandum for the Planning \(Scotland\) Bill](#). The Bill was extensively amended at Stage 2 by opposition parties. The Government has estimated that these amendments will result in £75m of additional public spending and £400m in costs for the private sector.
22. On 26 March the Scottish Government's [motion](#) on the general principles of the South of Scotland Enterprise Bill was agreed to unanimously by the Scottish Parliament. The financial resolution motion also passed.
23. On 26 March the Scottish Government published [new guidance](#) to education authorities on their duty to provide education in a mainstream setting unless certain exceptions apply. This new guidance aims to provide clear and updated information to help decide the best learning environment for a young person. The Scottish Government also claims that for the first time, the guidance includes a Scottish

definition of inclusion and practical guidance to deliver inclusion in schools.

24. On 28 March the Scottish Government published new poverty and income inequality [statistics](#) which suggests that poverty has increased over recent years. The report also [found](#) that low-income households have fallen further behind middle and high-income households.

Scottish Parliament

General

25. On 5 March the [Scottish Parliament and Welsh Assembly simultaneously held debates](#) on a motion which opposed the Prime Minister's EU Withdrawal deal.
26. On 6 March [MSPs voted by 58 to 57 in favour of a motion calling for concerns about the implementation of eligible children being entitled to 1,140 of free-school primary education to be addressed](#). Eligible children will be entitled to 1,140 hours of free pre-school education in Scotland from August 2020. However, MSPs have suggested that those plans are behind on schedule. The concerns of Audit Scotland were highlighted during the debate.
27. On 13 March [the Scottish Parliament hosted a debate on the year of young people 2018](#). During the debate, Claire Baker MSP mentioned Audit Scotland's work with Young Scot and Youth Scotland in establishing a youth advisory panel.
28. On 21 March [the Scottish Parliament published new rules around sexual harassment and sexist behaviour](#). It is claimed that an independent reporting mechanism and "zero tolerance" approach will "foster a culture of respect which ensures a safe, secure and welcoming environment for all." The policy is based on recommendations made by an internal joint working group on sexual harassment in December.
29. On 22 March Scottish Parliament Information Centre (SPICe) [published a briefing on "review of mental health service provision across the NHS in Scotland"](#). It refers to Audit Scotland's recent report about children and young people's mental health.
30. On 26 March [a coalition of 25 organisations wrote a joint letter to the First Minister, Nicola Sturgeon MSP, calling on her to back proposals to lower the default speed limit on restricted roads from 30 to 20mph](#). Scottish Green MSP, Mark Ruskell, introduced the 'Safer Streets Bill' to reduce speeds on most 30pmh streets in Scotland, with Edinburgh having introduced the measure a year ago.

Parliamentary Committee News

Local Government and Communities Committee

31. On 27 February the committee:
 - Received evidence on the Asset Transfer Request (Designation of Relevant Authority) (Scotland) Order 2019 [draft] from Kevin Stewart, minister for local government, housing and planning. This followed the Scottish Government receiving a request from VisitScotland to be brought onto Schedule 3 of the Community Empowerment Act as a named relevant authority. The Committee recommended that the order be approved.
 - Took evidence on the City Region Deals from Councillor Susan Aitken, chair, Glasgow City Region Cabinet and leader of Glasgow City Council, Kevin

Rush, director of regional economic growth, Glasgow City Region, Joyce White, chief executive, West Dunbartonshire Council, and Graham Thom, managing director, and John Nolan, associate director, SQW.

32. On 13 March the committee took evidence on the City Region and Growth Deal and on the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill.

33. On 20 March the committee:

- Recommended that the Freedom of Information (Scotland) Act 2002 (Designation of Persons and Scottish Public Authorities) Order 2019 [draft] be approved. This is a statutory instrument that will give the public the right to request information from registered social landlords and their subsidiaries about public functions that they perform.
- Took evidence from on “A Volunteer Charter: 10 Principles for assuring legitimacy and preventing exploitation of workers and volunteers”.
- Considered its [work programme](#) in private and agreed to the following: to hold a future inquiry into empty homes; that the committee’s over-arching theme for 2020-21 pre-budget scrutiny should be long-term financial sustainability of local government, and to continue with work on Integration Joint Boards and housing adaptations as a further budgetary theme in the coming year

I will liaise with the clerk of the committee on these matters to agree how the committee may wish to draw upon the work of the Commission.

Public Audit and Post Legislative Scrutiny Committee

34. On 28 February the committee:

- Took evidence from stakeholders on the National Audit Office’s report on the Administration of Scottish Income Tax 2017-18. It later took evidence from Auditor General for Scotland Caroline Gardner and audit director Mark Taylor. The Committee agreed to invite HM Revenue and Customs to provide oral evidence at a future Committee meeting.
- In private, considered its draft report on the Auditor General’s Section 23 report - Children and young people’s mental health. Various changes were agreed to, and the Committee agreed to consider a revised draft by correspondence before publication.
- In private, agreed its approach to the upcoming inquiry into the Freedom of Information (Scotland) Act 2002.

35. On 7 March the committee in private considered its future scrutiny of the Auditor General for Scotland’s reports entitled “The 2016/17 audit of the Scottish Police Authority” and “The 2017/18 audit of the Scottish Police Authority”.

36. On 14 March the committee:

- Took evidence on the Auditor General’s section 22 report - The 2017/18 audit of Scottish Social Services Council - Governance and transparency from a range of stakeholders. It also received further evidence from: Caroline Gardner, Auditor General for Scotland; Claire Sweeney, Audit Director, Audit Scotland; Jillian Matthew, Senior Manager, Audit Scotland; and Gemma

Diamond, Senior Manager, Audit Scotland. The Auditor General confirmed the report's initial findings that the SSSC's digital transformation had been flawed. The Committee heard the SSSC had provided additional materials since the report was published, but this had not changed the Auditor General's conclusion.

Finance and Constitution Committee

37. On 27 February and 20 March the committee took evidence on the United Kingdom's common frameworks from stakeholders.
38. On 13 March the committee:
 - Held a roundtable discussion with a range of stakeholders, including from Mark Taylor, Assistant Director, Audit Scotland and Graeme Roy, director, Fraser of Allander Institute, on the effective assignment of VAT in Scotland and how it compares with the rest of the United Kingdom.
 - Heard evidence on The Budget (Scotland) Act 2018 Amendment Regulations 2019 [draft] from stakeholders.
39. Recommended that the Scottish Landfill Tax (Standard Rate and Lower Rate) Order 2019 be approved following evidence from stakeholders. These rates would come into force on Monday 1 April.

Other Committees

40. On 20 February the Economy, Energy and Fair Work Committee published their [Business Support report](#) which raised concerns about the lack of data on Business Gateway's targets and performance. Among the committee's concerns are that councils, which provide Business Gateway services, are responsible for setting their own targets, but are not publishing those targets, nor data on performance against targets or what they are spending.
41. On 1 March the Scottish Parliament's Culture, Tourism, Europe and External Relations Committee [published a response from Ben McPherson MSP](#), minister for Europe, migration and international development which responded to Committee's views on several Scottish Government reports in relation to EU funding programmes.
42. On 4 March the Environment, Climate Change and Land Reform Committee released their [stage one report](#) on the climate change bill which called for greater urgency and action across all parts of government to address rising temperatures. The climate change bill targets a 90 per cent emissions reduction by 2050.
43. On 4 March the Rural Economy and Connectivity Committee published their [stage one report](#) on the South of Scotland Enterprise Bill. The report outlined the committee's full support towards the creation of a new enterprise agency for the South of Scotland.
44. On 7 March the Rural Economy and Connectivity Committee released its [stage one report](#) on the Transport (Scotland) Bill. This report recommended the bill to the Scottish Parliament. The bill includes plans to create Low Emission Zones (LEZs), new options for more flexibility in the provision of bus services, smart ticketing, a ban on pavement and double parking, provisions on road works, the financing of regional transport partnerships and changes to the governance of Scotland's canals. The Committee called for greater clarity on how some of the measures in the bill will operate in practice, while also expressing concern over its potential financial impact on local authorities.

45. On 26 March the Economy, Energy and Fair Work Committee took evidence on their inquiry on issues affecting the construction sector. The panel referenced a recommendation from Audit Scotland which advocated for increased transparency to aid local authorities and other actors, such as housing associations, with the creation of development plans.

COSLA

46. On 25 February [COSLA considered an internal report](#) which suggests the target to stop traditional black bag waste and a range of recyclable materials being buried in the ground by 2021 is unlikely to be achieved.
47. On 1 March [COSLA agreed a three year pay offer with local government workers](#). The agreement was reached between COSLA and representatives of the Scottish Joint Councils (SJC) trade unions.
48. On 29 March [COSLA held their full convention meeting in Musselburgh](#). During this meeting, the elected representatives voted in favour of offering a revised pay offer to the teaching workforce.

Improvement Service

49. On 22 February Audit Scotland and the Improvement Service published [a report of a Planning Roundtable](#) held on 22 February which highlighted what key stakeholders think needs to be done to reposition planning as a recognised key contributor to improving places. Conclusions of stakeholders included a need for planning to better resourced, have streamlined regulatory duties, and reposition corporately to promote its position as an enabler delivering optimum place outcomes.
50. On 29 February [the Improvement Service and the Local Government Digital Transformation Partnership signed a partnership agreement](#) with the aim of providing more seamless support for digital transformation within councils. The agreement outlines how the organisations will work together to meet shared objectives. This will include pooling some resources and sharing learning and capacity.

By-elections results

51. On 28 March [Scottish National Party candidate Jane McTaggart](#) was elected to serve as an elected member in Clackmannanshire Central of Clackmannanshire Council, following a by-election. The result was a Scottish National Party hold.

Other Scottish local government news

52. On 26 February [the Conference of Peripheral Maritime Regions released analysis](#) which suggested that due to the UK's withdrawal from the European Union, between 2020 and 2027, Scotland could lose funding worth £730m.
53. On 26 February [a range of Scottish charities held a drop-in session](#) for MPs and Peers in support of Brendan O'Hara MP's private members' bill which calls for an independent evaluation to be completed on the impact of Brexit on health and social care services..
54. On 4 March [the Scottish Government announced that Fife Council would receive £4.5m from government's town centre regeneration fund](#), the largest grant being made to a local authority. The Town Centre Fund, set up by the Scottish Government in partnership with COSLA, aims to support Scotland's high streets.

55. On 5 March [Scotland's chief statistician published statistics on the Council Tax Reduction scheme for lower income households](#). The publication covers the period October to December 2018 and shows the total number of CTR recipients in December was 14.3% less than it was at the beginning of the scheme in April 2013. The publication also suggests that the total weekly income foregone by local authorities on council tax reduction in December 2018 was £6.4 million.
56. On 5 March [councillors from Aberdeen City Council selected Councillor Jennifer Stewart to replace Councillor Alan Donnelly as deputy provost](#). Councillor Alan Donnelly previously resigned from the role due to the allegations of sexual harassment. Councillor Jennifer Stewart, who represents the Hazlehead, Queen's Cross and Countesswells ward of Aberdeen, has been a councillor for 12 years.
57. On 6 March Clackmannanshire Council was the last local authority in Scotland to set their council tax rate for 2019/20. The Scottish Government previously announced that councillors could raise the council tax up to 4.79%. A summary of all council tax rates is in **Appendix 2**.
58. On 7 March a [consultation was opened](#) to help shape the future direction of Notre Dame High School in Glasgow. One of the proposals that is seeking a response from parents and stakeholders is whether to allow boys to be admitted to the school.
59. On 7 March the [City of Edinburgh Council's Transport and Environment Committee](#) approved plans to install 66 on-street charging points across the city.
60. On 7 March [research from the University of Edinburgh was released](#) which suggested that children involved in physical education and activities such as music, drama and visual arts were more likely to succeed in school.
61. On 7 March [Carol Beattie was appointed as the new chief executive Officer for Stirling Council](#). Ms Beattie joined Stirling Council in 2014 as Senior Manager for Economic Development and took on the role of Interim Chief Executive in August 2018, following a four-month term as Deputy Chief Executive.
62. On 8 March the Equality and Human Rights Commission published their [Diversity of candidates and elected officials in Great Britain report](#), and affirmed that more needs to be done to increase the diversity of councillors in Scotland. The research found a lack of gender balance in elected politicians was particularly acute in local government, with women making up only 29 per cent of councillors. The report also found that 48 per cent of women and 12 per cent of the men had experienced some form of behaviour they had found to be humiliating, offensive or intimidating.
63. On 8 March [an alliance of local employers in Dundee including: DC Thomson, Dundee City Council and Dundee and Angus College launched a bid to become the first 'living wage city' in the UK](#). More than 50 employers, covering a quarter of workers in Dundee, have already committed to ensure all their staff and subcontracted staff receive a real living wage of £9.00 an hour, more than a pound higher than the UK Government minimum of £7.83. The alliance has published an action plan to encourage other local employers to pay their employees at least £9 per hour.
64. On 8 March [the UK Government and Scottish Government joined North Ayrshire Council, South Ayrshire Council and East Ayrshire Council in signing the Heads of Terms for the Ayrshire Growth Deal](#). Around £250m worth of investment will be made into the region, with both the Scottish and UK governments providing £103m each. Among the proposed investments are the development of Prestwick Airport as a spaceport and STEM hub and for a £18m centre for low carbon research.

65. On 11 March Unite called on [COSLA to re-open discussions on a pay deal for council workers following the latest teachers' pay offer](#). From April 2019, teachers will get a seven per cent pay rise, on top of a three per cent pay rise backdated to April 2018, with another three per cent to come a year later, which equates to over 13 per cent by 2020. The trade union believes that all local authority workers should receive a similar pay deal and has called for the reopening of negotiations.
66. On 12 March [Education Scotland published a report on Glasgow City Council's efforts to close the poverty-related attainment gap](#). The report found that Glasgow City Council had made 'exceptional progress' in reducing the impact of poverty on the 'educational achievement of pupils. The inspection report highlighted several examples of highly-effective practice in areas such as data analysis and monitoring, professional learning, and leadership commitment to improving the educational outcomes of children and young people living in poverty in Glasgow.
67. On 12 March [a Freedom of Information request to all Scottish local authorities by the Coalition of Carers, Shared Care Scotland and the Coalition of Care Providers suggested at least £5.4m of the funding had not yet been spent](#), despite the Carers Act 2016 placing a duty on local authorities to provide support to carers. Two councils, Orkney and Moray, had yet to allocate any of the funding they had been provided to support carers.
68. On 13 March [the National Records of Scotland has published provisional statistics on births, deaths and other vital events for the fourth quarter of 2018](#). 12,580 births were registered, which represents the lowest fourth quarter birth total since records began. 14,484 deaths were recorded. This was a 4.7% decrease from the same quarter in 2017. Compared to the same period in 2017, the number of cancer deaths fell by 1.6% and the number of deaths from heart disease fell by 5.4%. 6,125 marriages, including 227 same-sex marriages, were registered.
69. On 15 March [school pupils from across Scotland went on strike in support of further action to be taken to address climate change](#). This is the second global youth strike, with the first taking place on 15 February. City of Edinburgh Council said children who are absent in support of the strike will not be penalised.
70. On 14 March [the City of Edinburgh Council approved the final business case proposal to extend the city's tram line to Newhaven](#). It is expected that this line will be open from early 2023. Work is ongoing to finalise a £2.4m package of support for business who will be affected during the construction process.
71. On 15 March [the Scottish Government released statistics which show that from 2012 and 2018, the number of specialist teachers supporting those with additional support needs decreased from 3,840 to 3,437](#). The figures also highlighted a fall in the number of specialist support staff in key categories such as behaviour support staff, where the number has dropped by 58 from 2012 (from 180 to 122) and by 43 in the number of educational psychologists (from 411 to 368).
72. On 20 March the Scottish Land Commission published a new report, [Investigation Issues Large Scale and Concentrated Landownership](#), which concluded concentrated land ownership is having significant impacts on communities across rural Scotland. More than 407 people, from landowners and land managers to community representatives and individuals, submitted evidence.
73. On 22 March [Highlands and Islands MSP Donald Cameron welcomed a proposal from the Scottish Conservatives to create a £100m Pothole Action Fund](#). Mr Cameron highlighted an Account Commission report which suggested that 'Argyll and Bute

Council has the most roads in need of maintenance and is in the bottom 25 per cent for cost of roads per km.'

74. On 26 March the Sutton Trust published the [Admissions to high-attaining non-selective schools for disadvantaged pupils report](#) which found that the proportion of disadvantaged pupils at the best schools is around half of the average school in England, Scotland and Wales. Among its recommendations, the report concluded that the Scottish Government should work with local councils and leaders of the top performing schools to increase the socio-economic diversity of their intake.
75. On 27 March EIS members [voted](#) to accept a new pay proposal from COSLA and the Scottish Government. 98% of members voted in favour of the proposal, which includes a compounded pay increase of 13.51% over three years.

Other Scottish public policy news

76. On 22 February [the Office of National Statistics released new data which suggests Scotland now has the highest rate of avoidable deaths among infants and children in the UK](#). In Scotland, there were 218 avoidable deaths in the 0-19 age group in 2017. That translates to an avoidable mortality rate of 19 per 100,000 population compared to 9.6 in England or 10.3 in Wales, and 18.1 in Northern Ireland.
77. On 12 March [the Scottish mental health charity SAMH released research which they claim suggests the operation of Universal Credit has caused hardship and additional emotional distress to people using the system](#), leading to poor mental health outcomes. SAMH has called for an immediate halt to the rollout of the benefit system until the issues are addressed.
78. On 22 March the Resolution Foundation published their [Wrong direction - Can Scotland hit its child poverty targets on child poverty in Scotland? report](#) which found that current measures for addressing child poverty will not go far enough to reach targets set by the Child Poverty (Scotland) Act 2017. The report showed that a smaller percentage of children live in poverty in Scotland compared to the rest of the UK. However, it also projected the child poverty rate in Scotland could increase to its highest ever rate over the next five years. The report also suggests that, due to an under-reporting of benefit income, existing poverty figures may need to be revised.
79. On 25 March the [Institute for Government published their 'Ministers reflect on Devolution: Lessons from 20 years of Scottish and Welsh government'](#) report which stated that Ministers in Scotland and Wales say they are ignored by the UK Government, with this belief being heightened since the referendum on our membership of the European Union.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Sector Ombudsman (SPSO)

80. [The SPSO's Newsletter - March](#) outlines investigation reports, recent SPSO news and highlights emerging issues. More information on the SPSO's work, including detailed investigations and decision reports, is available on the [Our findings](#) webpage. The Commission's Financial Audit and Assurance Committee will consider more detailed intelligence from the SPSO on a six-monthly basis (next at its September meeting).

Standards Commission for Scotland

81. On 15 February the Standards Commission for Scotland published the results of a [survey that suggested that that 16 per cent of public board members had experienced](#)

[bullying, harassment or disrespectful language](#). The Standards Commission have warned that cases of bullying and harassment may be going unreported. The Standards Commission will share its findings with the Scottish Government to help inform induction and training for board members and chairs of devolved public bodies, as well as discussions about whether bullying and harassment should be added to the code of conduct for public boards, as they have been to the councillors' code of conduct.

82. On 18 March [Councillor Paul Johnston, who serves Aberdeenshire Council was sanctioned for not registering a shareholding](#) by the Standards Commission at a public hearing held in Edinburgh.
83. On 28 March the Standards Commission for Scotland published their [March update newsletter](#). This provides information on the appointment of a new member of the standards commission, Ashleigh Dunn. In addition, the newsletter also updates on the appointment of Caroline Anderson as the new commissioner for ethical standards. The March update also provides an overview of the cases that were referred to the standards commission since December 2018.

Care Inspectorate

84. On 12 March the Care Inspectorate published the [Joint inspection of services for children and young people in Moray - progress review](#). The aim of this second review of progress was to assess and report on progress made in planning and implementing action to address the main areas for improvement identified during the joint inspection. Given the progress that had been made, the Care Inspectorate concluded that they will not be making any further reviews specifically related to the 2016 inspection.
85. On 26 March the Care Inspectorate published the [Report of a joint inspection of services for children and young people in need of care and protection in Argyll and Bute](#). The report outlined a number of strengths, including that the wellbeing of children in need of care and protection was improving. The report also outlined a number of areas for improvement, including noting that risk assessments were not always being carried out where necessary. The Care Inspectorate has asked the partnership for a joint action plan that clearly details how it will make improvements in the key areas identified by inspectors. This action plan will be monitored by the Care Inspectorate.

Her Majesty's Chief Inspector of Constabulary Scotland (HMICS)

86. On 1 March [Her Majesty's Chief Inspector of Constabulary Scotland \(HMICS\) outlined a commitment to conduct a statutory inspection of the Scottish Police Authority](#) as part of its Scrutiny Plan for 2018/19. The aim of this inspection will be to assess the effectiveness and efficiency of the Scottish Police Authority in terms of fulfilling its core role. It will scrutinise how the Scottish Police Authority is meeting its statutory obligations under the Police and Fire Reform (Scotland) Act 2012 and as a public body.
87. On 21 March [Her Majesty's Chief Inspector of Constabulary Scotland \(HMICS\) released an inspection report on Police Scotland's Greater Glasgow Division](#). HMICS found the division is well managed with good structures in place and officers and staff who are motivated and committed to serving their communities. Frontline staff report feeling disillusioned, under pressure and under-valued with competing demands for their time and lack of clarity of their roles. The report states that demand analysis is urgently required so that policing resources can be effectively deployed.

Education Scotland

88. On 28 February a [review of 31 local authorities, carried out by Education Scotland HM Inspectors](#) from 2015-18, found an increasing number of educational psychology services were offering specialist therapeutic interventions, combined with giving enhanced training and policy advice to schools, establishments and local authorities. The Chief Inspector of Education Gayle Gorman said that the review highlights the impact that the range of services are having in schools across Scotland.

Scottish Housing Regulator

89. On 22 February [the Scottish Housing Regulator wrote to all registered social landlords \(RSLs\)](#) to underline the importance of compliance with Regulatory Standards in the context of the uncertainty around the planned withdrawal of the United Kingdom from the European Union. The letter highlighted Regulatory Standard 3 which requires each RSL to manage its resources to ensure financial well-being and to base financial forecasts on appropriate and reasonable assumptions.
90. On 28 February the [Scottish Housing Regulator published its new Regulatory Framework](#) and statutory guidance for social landlords. The new Framework will go live from 1st April 2019 and sets out how the SHR will regulate social landlords in Scotland. The SHR claims the changes are designed to help board and committee members of landlords to get the assurance they need that their organisation is well run and so delivers good outcomes for tenants, people who are homeless and others who use their services.

UK Parliament

General

91. On 18 March [the all-party parliamentary group on social media and young people's mental health and wellbeing released a report](#) which suggested that social media addiction may need to be classed as a disease to combat young people's health.
92. On 22 March [Ben McPherson MSP, minister for migration, issued a submission to UK Government's Migration Advisory Committee](#) which warned how the UK's withdrawal from the European Union could cause skills shortages in a range of sectors already under pressure, such as tourism, construction, financial services, agriculture and education. The submission also outlines concerns that the UK's proposal for a future immigration system present a number of acute risks for the future security and sustainability of the health and social care workforce in Scotland. Mr McPherson is particularly concerned that the UK Government's proposed £30,000 minimum threshold will cause recruitment challenges within the social care sector as average salaries are closer to £18,000.
93. On 2 April the Business, Energy and Industrial Strategy Committee [published a report](#) stating that the Competition and Markets Authority (CMA) should aim for the full structural break-up of the 'Big Four' firms into audit and non-audit businesses. The report endorses the CMA's proposed operational split between audit and non-audit but argues that going further with a structural break-up would prove more effective in tackling conflicts of interest and providing the professional scepticism needed to deliver high-quality audits.

Housing, Communities and Local Government Committee

94. On 6 March the [committee announced a new inquiry into local government finance](#). The inquiry will consider how effective the existing funding set-up for local government

is in providing resources to meet need and demand for local services both now and in the future. The Committee's work will seek to directly inform government policy towards local government funding in the Spending Review and beyond.

95. On 11 March [the committee continued its inquiry into funding of local authorities' children's services](#) by interviewing a range of stakeholders.

Scottish Affairs Committee

96. On 12 March the committee took evidence from Michael Russell MSP, Scottish Government Cabinet Secretary for Government, Business and Constitutional Relations on the relationship between the UK and Scottish Governments.

Public Accounts Committee

97. On 15 March the committee published a [report](#) into auditing local government. The report follows on from publications from the Committee last year that found around one in five local public bodies in England did not have proper arrangements for auditing, which the Committee described as bad for the tax payer.

Other UK Audit Bodies

National Audit Office

98. On 5 March [the National Audit Office published a report about Verify](#), the digital programme intended to provide identity verification services for the UK Government. Auditors said Verify was undermined by problems commonly associated with major projects, including "optimism bias and failure to set clear objectives".
99. On 13 March [the National Audit Office published its report which sets out how HM Treasury allocates funding to the devolved administrations](#). The report claims that initial funding allocations are based on the funding they received in the previous year plus a population-based share of funding for changes in planned UK government spending. HM Treasury uses the Barnett formula to calculate these changes. In 2017-18, total UK spending on public services was £617 billion, of which England accounted for £505 billion, Scotland £59 billion, Wales £32 billion and Northern Ireland £21 billion. The highest spend per person on public services was in Northern Ireland (£11,190), followed by Scotland (£10,881), Wales (£10,397) and England (£9,080).
100. On 28 March the National Audit Office published a [report](#) on the Department for Work and Pensions' employability services for disabled people.

Wales Audit Office

101. On 21 March the [Wales Audit Office published a report on waste management](#). The report concluded that the Welsh Government has focussed more attention and resources on recycling than preventing waste in the first place and there has been mixed progress towards waste prevention targets.

Northern Ireland Audit Office

102. On 26 March the Northern Ireland Audit Office published a [report](#) about maintenance of the road network. The report notes that the Department for Infrastructure estimates that, in recent years, annual funding has been, on average, £50m less than what is needed to maintain the network in a steady and sustainable state. This underfunding has increased the overall backlog of required maintenance funding to £1.2 billion.

Other general – UK

103. On 27 February [the House of Lords EU Justice Sub-Committee wrote to Rt Hon Sajid Javid MP, home secretary, raising concerns about the EU Settlement Scheme](#), which despite several major issues is now in the process of being rolled out. The Committee's principal concerns relate to the lack of publicity of the scheme and the application process being inaccessible.
104. On 5 March the Labour Party launched [two independent reports about reform and regulation of the auditing industry](#) - Reforming the Auditing Industry and Regulatory Architecture to enhance Democracy and Business Accountability. The latter report recommends that the regulatory system must be independent of all government departments and from those that are being audited. The former report includes recommendations that statutory auditors of large companies and other entities must act exclusively as auditors.
105. On 13 March [the Chancellor of Exchequer delivered the Spring Statement](#). The Chancellor confirmed that the next Spending Review will take place later this year and will conclude alongside the Budget. This will set departmental budgets, including 3-year budgets for resource spending, if an EU exit deal is agreed. Included in the Spring Statement was an announcement that the UK Government would commit £260 million towards the Borderlands Growth Deal. The Scottish Government had previously announced that they would allocate £85 million towards the Borderlands Growth Deal.
106. On 13 March Martin Reeves, Society of Local Authority Chief Executives (Solace) spokesperson for local government finance [responded to the Chancellor of the Exchequer's Spring Statement](#) where he welcomed the prospect of a three-year Spending Review.
107. On 15 March [Sir Vince Cable announced he will step down as leader of the Liberal Democrats in May](#).
108. On 19 March the European Human Rights Commission released the [Cumulative impact of tax, social security and public spending decisions in Scotland report](#) which suggested that the current tax and spending plans by UK and Scottish governments will result in a drop in household income for single mothers, ethnic minority families and the severely disabled harder than other groups. The report suggests that a family with one disabled adult and one disabled child stand to lose £5000 year on average. In addition, the EHRC has also warned that the income for Scotland's poorest families will fall by 8.5 per cent by 2022. The report also predicts child poverty in Scotland will increase by eight per cent by 2022.
109. On 27 March the Independent Food Aid Network and A Menu for Change [released statistics](#) which suggested that 84 independent food banks distributed 221,977 emergency food packages over 18 months, while the Trussell Trust's network of 118 food banks distributed a further 258,606 parcels during the same time period.

Conclusion

110. The Commission is invited to consider and note this report, and in particular agree not to respond to the Scottish Government consultation on Disability Assistance in Scotland (paragraph 12).

Paul Reilly
Secretary to the Accounts Commission
3 April 2019

APPENDIX 1: Accounts Commission reports in past 12 months - downloads

Report	Date	Report downloads	Podcast downlds
Local government in Scotland: Challenges and performance 2019	21 Mar 2019	715	36
Local government in Scotland: Challenges and performance 2019 - Supplement	21 Mar 2019	75	n/a
Social Work in Scotland – Impact report	5 Dec 2018	639 (+203)	n/a
Local government in Scotland – Financial overview 2017/18	28 Nov 2018	2054 (+399)	78
Local government in Scotland – Financial overview 2017/18 - Supplement	28 Nov 2018	293 (+75)	n/a
Dumfries & Galloway Council BV Assurance Rpt	22 Nov 2018	812 (+200)	*
Health and social care integration: update on progress	15 Nov 2018	7,546 (+1,527)	254 (+40)
East Lothian Council Best Value Assurance Report	1 Nov 2018	1,094 (+149)	78 (*)
Children and young people’s mental health	13 Sep 2018	5597 (+898)	180 (*)
Community Planning – an update – Impact report	24 Aug 2018	726 (+55)	n/a
Glasgow City Council Best Value Assurance Report	23 Aug 2018	1658 (+120)	71 (*)
West Dunbartonshire Council Best Value Assurance Report	28 Jun 2018	1283 (+112)	*
Maintaining Scotland’s roads: a follow-up report – Impact report	27 Jun 2018	911 (+120)	n/a
Accounts Comm annual report 2017/18	7 Jun 2018	574 (+<30)	n/a
Accounts Comm engagement strategy and plan 2018/19	7 Jun 2018	572 (+35)	n/a
Accounts Comm Strategy and annual action plan 2018-23	7 Jun 2018	707 (+73)	n/a
Accounts Comm engagement plan 2017/18 progress	7 Jun 2018	47 (+<30)	n/a
Best Value Assurance Report: East Ayrshire Council	29 May 2018	1990 (+187)	104 (*)
Best Value Assurance Report: Fife Council	24 May 2018	2167 (+133)	48 (*)
Councils’ use of ALEOs	17 May 2018	2065 (+170)	*
Local government in Scotland: Challenges and performance 2018	5 Apr 2018	6536 (+649)	140 (+45))
Local government in Scotland: Challenges and performance 2018 - Supplement	5 Apr 2018	230 (+<30)	n/a
National Scrutiny Plan 2018/19	4 Apr 2018	1074 (+85)	*
Statutory report on Edinburgh schools (Edinburgh City Council)	3 Apr 2018	1228 (+45)	137 (*)

Key:

- (x) Increase in numbers since last month
- * This figure is below 30
- n/a Not applicable.

APPENDIX 2 Council tax increases 2019/20

Local authority	Rate increase	Band D rate increase (£)	New Band D council tax bill
Aberdeen	4.5%	£57.03	£1,324.33
Aberdeenshire	3%	£36.14	£1,240.76
Angus	3%	£34.12	£1,171.40
Argyll and Bute	4.79%	£59.44	£1,308.83
Clackmannanshire	4%	£48.72	£1,266.63
Comhairle Nan Eilean	4.79%	£52.03	£1,138.40
Dumfries and Galloway	4.79%	£53.31	£1,166.19
Dundee	3%	£38	£1,316
East Ayrshire	4%	£50.46	£1,311.86
East Dunbartonshire	3.95%	£47.85	£1,259.24
East Lothian	4.79%	£56.80	£1,242.48
East Renfrewshire	3%	£35.84	£1,230.41
Edinburgh	3%	£37.20	£1,277.39
Falkirk	3%	£34	£1,169
Fife	3%	£35.58	£1,221.67
Glasgow	3%	£38.59	£1,325.06
Highland	3%	£37.01	£1,270.83
Inverclyde	4.79%	£59.11	£1,293.05
Midlothian	4.79%	£60.62	£1,344
Moray	4.79%	£57.68	£1,261.80
North Ayrshire	4.79%	£58.54	£1,280.70
North Lanarkshire	3%	£33.92	£1,164.86
Orkney	4.79%	£53	£1,153
Perth and Kinross	4%	£47.57	£1,264
Renfrewshire	4.79%	£58.17	£1,257.09
Scottish Borders	4%	£49	£1,196.02
Shetland	3%	£33.51	£1,150.64
South Ayrshire	4.79%	£58.64	£1,282.87
South Lanarkshire	3%	£34.02	£1,168.05
Stirling	4%	£49.31	£1,282.22
West Dunbartonshire	3%	£35.94	£1,233.82
West Lothian	4.79%	£55.65	£1,217.49

MEETING: 11 APRIL 2019

REPORT BY: ASSOCIATE DIRECTOR (AUDIT QUALITY AND APPOINTMENTS)

REVISED FORM OF INDEPENDENT AUDITOR'S REPORTS FROM 2018/19

Purpose

1. The purpose of this paper is to seek the Commission's approval for the revised form of Independent Auditor's Reports in respect of local government bodies to apply from the 2018/19 financial year.

Background

2. Appointed auditors set out their opinions on the annual accounts in an Independent Auditor's Report which is included within the accounts. The Local Government (Scotland) Act 1973 requires the Independent Auditor's Report (referred to as the audit certificate in the legislation) to be 'in such form as the Commission may direct'. The form of Independent Auditor's Report needs to comply as a minimum with international standard on auditing (ISA) 700. However, the form of report can be tailored to reflect local government legislation and augmented by specific reporting requirements of the Commission.
3. At its meeting on 7 February, the Commission agreed in principle to proposed changes to the model form of Independent Auditor's Report that will apply from the 2018/19 financial year. Since that meeting, Professional Support has undertaken a consultation process with appointed auditors. There are no changes to the model form of report arising from that consultation (although KPMG raised a point in respect of Aberdeen City Council which, at the time of finalising this paper, may require further investigation).

Summary of changes

4. The changes to the model form of Independent Auditor's Report were set out in my report to the Commission's February meeting. In summary, they are:
 - additional wording which ISA 700 requires for a 'public interest entity' (PIE) which includes the following: information on the appointment of the auditor, and the date and period of appointment; an explanation of the extent to which the audit was considered capable of detecting irregularities including fraud; and declarations around non-audit services
 - clarification that the Code of Audit Practice requires audits to be carried out in accordance with ISAs
 - a reference explaining that auditors' wider scope responsibilities are reported in the Annual Audit Report
 - a reference to the fact that risks of material misstatement are reported in the Annual Audit Report
 - moving the paragraph that disclaims liability to third parties to the end of the model form of report.

Model forms of Independent Auditor's Report

5. The following model forms of Independent Auditor's Report applicable with effect from 2018/19, incorporating the changes, are set out in the appendices to this paper:
 - Appendix 1 – councils which prepare group accounts (except Aberdeen City Council). Auditors will also be provided with a separate model report for councils that do not prepare group accounts and bodies within section 106 of the 1973 Act (e.g. integration joint boards, valuation joint boards, joint committees, regional transport partnerships etc). The only difference from the model report in Appendix 1 is that references to 'the group' do not appear, and therefore the latter model has not been replicated in this paper.
 - Appendix 2 – Aberdeen City Council which is a PIE.
 - Appendix 3 – local government pension funds.
 - Appendix 4 – registered charities falling with section 106 of the 1973 Act that prepare their accounts on an accrued basis. Auditors will also be provided with a separate model report for charities preparing their accounts on a receipts and payments basis. Again the wording differences are minor and the latter has not been replicated in this paper.
6. Once approved, the model forms of report will be provided to auditors by Professional Support in a technical guidance note. The model reports are written on the basis that the auditor's opinions are not qualified, which is generally the case. Guidance on necessary amendments where a qualified opinion is required will also be included in the technical guidance note.

Conclusion

7. The Commission is asked to approve the model form of Independent Auditor's Report that will apply with effect from the financial year 2018/19.

Elaine Boyd
Associate Director (Audit Quality and Appointments)
11 April 2019

Model independent auditor's report – councils (except Aberdeen)

Independent auditor's report to the members of [insert name of council] and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the annual accounts of [insert name of council] and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the financial statements used by the council such as the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, and any other disclosures presented as financial statements] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. [My/Our] responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I was/We were] appointed [under arrangements approved (ASG only)] by the Accounts Commission on [insert date of appointment/delegation letter]. The period of total uninterrupted appointment is [insert number] years. [I am/We are] independent of the council and its group in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and

[I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. [List any non-audit services not disclosed elsewhere]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Conclusions relating to going concern basis of accounting

[I/We] have nothing to report in respect of the following matters in relation to which the ISAs (UK) require [me/us] to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the [insert job title of proper officer] has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

[I/We] have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that [I/we] identified and [my/our] conclusions thereon.

Responsibilities of the [insert job title of proper officer] and [council or name of audit committee] for the financial statements

As explained more fully in the Statement of Responsibilities, the [insert job title of proper officer] is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the [insert job title of proper officer] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the [insert job title of proper officer] is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The [council/name of audit committee] is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

[My/Our] objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. [I/We] therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of [my/our] auditor's report.

Other information in the annual accounts

The [insert job title of proper officer] is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and [my/our] auditor's report thereon. [My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with [my/our] audit of the financial statements, [my/our] responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or [my/our] knowledge obtained in the audit or otherwise appears to be materially misstated. If [I/we] identify such material inconsistencies or apparent material misstatements, [I am/we are] required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In [my/our] opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In [my/our] opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial

statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which [I am/we are] required to report by exception

[I am/We are] required by the Accounts Commission to report to you if, in [my/our] opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit; or
- there has been a failure to achieve a prescribed financial objective.

[I/We] have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to [my/our] responsibilities for the annual accounts, [my/our] conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in [my/our] Annual Audit Report.

Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

[Name of appointment lead], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

Model independent auditor's report – Aberdeen City Council

Independent auditor's report to the members of Aberdeen City Council and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Aberdeen City Council and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the financial statements used by the council such as the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, and any other disclosures presented as financial statements] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of the affairs of the council and its group as at 31 March 2019 and of the income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment of the firm is three years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by

the Ethical Standard were not provided to the council. [List any non-audit services not disclosed elsewhere]. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit, Risk and Scrutiny Committee.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the audit team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA (UK) 701.]

Our application of materiality and overview of the scope of our audit

[Explanation of how the auditor applied the concept of materiality in planning and performing the audit. This is required to include the threshold used by the auditor as being materiality for the financial statements as a whole but may include other relevant disclosures. Overview of the scope of the audit, including an explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality.]

Responsibilities of the Director of Resources and Audit, Risk and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Director of Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Audit, Risk and Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud. [Insert further explanation of the extent to which the audit is capable of detecting irregularities].

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual accounts

The Director of Resources is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we

have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature], [Name of appointment lead], for and on behalf of KPMG LLP, [Full postal address], [Full date]

Model independent auditor's report – local government pension scheme

Independent auditor's report to the members of [insert name of council] as administering authority for [insert name of pension fund/each pension fund] and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the annual report of [insert name of each pension fund] (the [fund/funds]) for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the financial statements used by the council such as the Fund Account(s), the Net Assets Statement(s)] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the financial transactions of the [fund/funds] during the year ended 31 March 2019 and of the amount and disposition at that date of [its/their] assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)) as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. [My/Our] responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I was/We were] appointed [under arrangements approved (ASG only)] by the Accounts Commission on [insert date of appointment/delegation letter]. The period of total uninterrupted appointment is [insert number] years. [I am/We are] independent of the [fund/funds] in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. [List any

non-audit services not disclosed elsewhere]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Conclusions relating to going concern basis of accounting

[I/We] have nothing to report in respect of the following matters in relation to which the ISAs (UK) require [me/us] to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the [insert job title of proper officer] has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about [the fund's/funds'] ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

[I/We] have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that [I/we] identified and [my/our] conclusions thereon.

Responsibilities of the [insert job title of proper officer] and [council/name of committee] for the financial statements

As explained more fully in the Statement of Responsibilities, the [insert job title of proper officer] is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the [insert job title of proper officer] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the [insert job title of proper officer] is responsible for assessing the [fund's/funds'] ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The [council/name of committee] is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

[My/Our] objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of [my/our] auditor's report.

Other information in the annual report

The [insert job title of proper officer] is responsible for the other information in the annual report. The other information comprises the information other than the financial statements and [my/our] auditor's report thereon. [My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with [my/our] audit of the financial statements, [my/our] responsibility is to read all the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or [my/our] knowledge obtained in the audit or otherwise appears to be materially misstated. If [I/we] identify such material inconsistencies or apparent material misstatements, [I am/we are] required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In [my/our] opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016); and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

Matters on which [I am/we are] required to report by exception

[I am/We are] required by the Accounts Commission to report to you if, in [my/our] opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit.

[I/We] have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to [my/our] responsibilities for the annual accounts, [my/our] conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in [my/our] Annual Audit Report.

Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

[Name of appointment lead], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

Model independent auditor's report – registered section 106 charities

Independent auditor's report to the trustees of [insert name of charity/collective name of connected charities] and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the statement of accounts of [insert name of charity/collective name of connected charities] for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the [specify precisely the titles of the financial statements used by the council for the charity such as the Statement of Financial Activities, the Balance Sheet] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the [charity/charities] as at 31 March 2019 and of [its/their] incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. [My/Our] responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I am/We are] independent of the [charity/charities] in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Conclusions relating to going concern basis of accounting

[I/We] have nothing to report in respect of the following matters in relation to which the ISAs (UK) require [me/us] to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the [charity/charities] to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

[As explained more fully in the Statement of Responsibilities - delete if no such statement included], the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the [charity's/charities'] ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

[My/Our] objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of [my/our] auditor's report.

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and [my/our] auditor's report thereon. [My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion

thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with [my/our] audit of the financial statements, [my/our] responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or [my/our] knowledge obtained in the audit or otherwise appears to be materially misstated. If [I/we] identify such material inconsistencies or apparent material misstatements, [I am/we are] required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In [my/our] opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which [I am/we are] required to report by exception

[I am/We are] required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in [my/our] opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit.

[I/We] have nothing to report in respect of these matters.

Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature], [Name of appointment lead], (for and on behalf of [name of firm] - firms only), [Full postal address], [Full date]

MEETING: 11 APRIL 2019

REPORT BY: SECRETARY TO THE COMMISSION

BEST VALUE ASSURANCE REPORT: STIRLING COUNCIL

Purpose

1. The purpose of this paper is to introduce for the Commission's consideration the Controller of Audit's Best Value Assurance Report for Stirling Council.

Background

2. A key objective of the approach to auditing Best Value is to allow the Commission to provide more regular assurance to the public about how councils are performing in relation to their Best Value statutory duties. It is intended that this will be achieved by the Controller of Audit submitting a Best Value Assurance Report (BVAR) on each council at least once during the five-year audit appointment and by Best Value being reported in annual audit reports.
3. The attached BVAR (Appendix 1) is on Stirling Council. This is the first BVAR on the council and reports on the progress made by the council since previous Best Value reports. The Controller of Audit reported to the Accounts Commission on the council in October 2011. The Commission's findings were published in November 2011 and are set out in Appendix 2. This followed on from a Controller of Audit Best Value report on the council published in March 2005.

The Controller of Audit report

4. The BVAR is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
5. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - the accounts of local authorities audited under the Act;
 - any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
 - the performance by a local authority of their statutory duties in relation to best value and community planning.
6. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.
7. The report concludes with a series of recommendations proposed by the Controller of Audit which are to be part of the Commission's considerations.

Procedure

8. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
 - direct the Controller of Audit to carry out further investigations
 - hold a hearing
 - state its findings.
9. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
10. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.
11. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.

Conclusion

10. The Commission is invited to:
 - a) consider the Controller of Audit's BVAR on Stirling Council; and
 - b) decide in private how it wishes to proceed.

Paul Reilly
Secretary to the Commission
2 April 2019

APPENDIX 1: BEST VALUE ASSURANCE REPORT: STIRLING COUNCIL

See separate paper.

APPENDIX 2: AUDIT OF BEST VALUE AND COMMUNITY PLANNING: STIRLING COUNCIL, NOVEMBER 2011: COMMISSION FINDINGS

1. The Accounts Commission accepts this report from the Controller of Audit on Stirling Council's performance of its statutory duties on Best Value and Community Planning. The Commission notes that, in respect of these duties, the council's overall performance is good and that it has good prospects for future improvement.
2. The Commission recognises that substantial progress has been made by the council since the first Best Value audit in 2005. It is very encouraged by the strong collaborative leadership in the council between members and officers, and across political groups. It welcomes the clarity of the council's vision and its good sense of self-awareness which provides a sound basis for further improvement.
3. The Commission notes the council's good governance arrangements but would underline the importance of the council assuring itself that those in vital statutory positions, such as the chief financial officer and monitoring officer, are able to exercise sufficient influence within the organisation to discharge their statutory obligations.
4. The Commission notes the positive progress made by the council in improving important aspects of how it manages its resources, notably in relation to its workforce, assets, and procurement. It would urge the council to maintain this momentum. In particular, the Commission notes the considerable scope for better engaging the council's workforce in developing its improvement agenda.
5. While recognising the good progress made in partnership working, the Commission emphasises the need for the council to make working with its strategic partners more effective through rationalising partnership structures and joint working arrangements. This will help the council and its partners to be clearer on the outcomes that they are trying to achieve for the communities of Stirling. This is particularly the case in relation to economic inequalities and rural economic development.
6. The Commission is encouraged by positive progress in the council's performance but notes the need for improvement in some services – particularly roads, waste management and aspects of social care.
7. On behalf of the Commission, Audit Scotland will continue to work closely with other scrutiny bodies to deliver an annual shared risk assessment of Stirling Council and agree a schedule for audit and inspection work to assess continued progress. It will monitor progress on the key issues identified in these findings and report on them as part of the annual audit process.

Stirling Council

Best Value Assurance Report



Prepared for the Accounts Commission by the Controller of Audit

April 2019

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Key facts about the council



2,187
km²

Area

93,750

Population

3,310

Workforce

(number of full-time
equivalent employees)

23

Councillors

9 Scottish National Party
8 Conservative and Unionist
4 Scottish Labour
1 Green
1 Independent

5,669

Council houses

£209
million

2017/18
revenue budget

£41
million

2017/18
capital budget

£32
million

Budget gap
2019-24

Audit approach

1. The statutory duty of Best Value was introduced in the Local Government in Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Findings are reported each year through the Annual Audit Report. The Controller of Audit will also present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first assurance report on Stirling Council. The findings from the previous Best Value report on the council are summarised in [Exhibit 11](#) in part 5.

2. We are looking for councils to demonstrate Best Value by showing that they are continuously improving how they deliver on their priorities. The pace and depth of this improvement is key to how well councils deliver on their priorities in the future. Depth of improvement is about the extent to which services implement improvements across a council. In this report, we explain how we assessed Stirling Council's improvement over time and our conclusions are summarised in the [Key messages section \(page 7\)](#).

3. Our audit approach is proportionate and risk based, that is, it reflects the context, risks and performance of the individual council. It also draws on information from previous years' audit and scrutiny work. In keeping with this approach, we did some initial work to identify risks and council initiatives to build into the scope of our audit. This included reviewing previous audit and inspection reports and intelligence, reviewing key council documents, talking to senior officers and reflecting on our wider public-sector knowledge and experience.

Exhibit 1

Key areas of focus for our audit



The council's vision and priorities, as developed with community planning partners.
Our findings on this are reported in Part 1 of this report.



Managing performance, self-evaluation and measuring outcomes.

This included an overall assessment of outcomes and performance and the council's reporting on these, including to the public. Our findings on this are reported in Part 2 of this report.



Planning the use of resources.

We assessed how effectively the council plans its use of resources, including asset management, financial planning and workforce planning. Our findings on this are reported in Part 3 of this report.



Delivering services with partners.

We assessed how the council delivers services with partners, including through consideration of the City Deal - developed in collaboration with partners to drive economic and cultural improvements, and how services are developed in collaboration with others. We also considered community engagement and how this affects the council's activities and delivery of services. Our findings on this are reported in Part 4 of this report.



Continuous improvement programmes.

We reviewed the council's continuous improvement programmes, including by assessing the overall pace and depth of change. Our findings on this are reported in Part 5 of this report.

Source: Audit Scotland

4. The detailed audit work for this report was undertaken in October and November 2018. Our audit work included:

- interviewing elected members and senior officers
- holding focus groups with members of staff
- observing council and committee meetings
- reviewing documents and analysing data, including Local Government Benchmarking Framework (LGBF) data
- interviewing a sample of the council's partners such as Police Scotland, the Scottish Fire and Rescue Service, third sector organisations (i.e. non-governmental and non-profit making organisations) and the business community.

5. Our analysis of the LGBF data reflects the 2016/17 results published by the Improvement Service in April 2018. Following recent publication of a selection of the 2017/18 LGBF indicators we have:

- commented in the report where the level of performance has changed
- analysed performance on a family grouping basis
- assessed performance against service satisfaction indicators.

6. We will continue to audit Best Value at the council over the course of our audit appointment. This will include a follow-up on the findings from this report as well as more detailed audit work on other Best Value characteristics as appropriate.

7. We appreciate the cooperation and assistance provided to the audit team by all elected members and officers contacted during the audit.

Key messages

- 1.** Stirling Council has a clear strategic vision and there is currently a strong sense of collective purpose. National data shows the majority of council services perform above the Scottish average and are improving. However, the council cannot demonstrate that it is achieving all aspects of Best Value as its approach to self-evaluation and continuous improvement has been inconsistent. A more systematic approach is required.
- 2.** Since the previous Best Value report in 2011, there has been a lack of effective officer and political leadership in focussing improvement against the council's priorities. Development of an effective performance management framework has been slow. While the council reports on its performance, it does not provide a clear summary of performance against all its priorities or key performance measures to councillors or the public. The council acknowledge this and plan to address this in 2019.
- 3.** There have been several structural and personnel changes in recent years, including the resignation of the previous chief executive in August 2018. The number of changes in senior management over a short period of time has slowed the council's pace of improvement, it has been unsettling for some staff and has contributed to a loss of corporate memory. The current corporate management team (CMT) recognise this and are now operating more effectively. A period of stability is required for the leadership to deliver improvements.
- 4.** The council demonstrates effective financial management and its robust budget process has approved £38 million savings over the last five years. The medium-term financial plan estimates a cumulative funding gap of £32 million for the five years to 2023/24. Innovative service reform through transformation programmes will be needed to achieve this and secure the sustainability of services.
- 5.** The council has effective workforce planning arrangements, with a rolling five-year workforce plan that is linked to the council's budget and five-year business plan. This demonstrates the council's strategic workforce priorities and is monitored by the CMT.
- 6.** There is evidence of community engagement influencing the way that services are delivered. But the council and its partners have been slow to progress elements of the Community Empowerment (Scotland) Act 2015, including the publication of locality plans. The council is now taking steps to learn from other councils how it can further improve the way it involves citizens.
- 7.** The council works well with a range of partners. This includes its City Regional Deal partners to boost economic growth. The Community Planning Partnership has a shared plan but reporting structures need to be improved and performance against outcomes reported. The Integration Joint Board is unique in Scotland as it is the only one covering three statutory organisations (two councils and one health board) and its size and complexity makes decision making challenging.

Part 1

Does the council have clear strategic direction?



Stirling Council has a clear strategic vision, linked to its service plans

Stirling Council covers a large and geographically diverse area

8. Stirling Council covers a diverse range of communities, from densely populated urban areas to remote rural areas in the southern Highlands. It shares boundaries with seven other councils.¹ It is within an hour's drive of the population centres of Edinburgh and Glasgow.

9. In terms of area, it is the ninth largest council, spanning 2,187 square kilometres. In contrast, the population of the council area is 93,750, the ninth smallest in Scotland. Two-thirds of the population live in the City of Stirling, Dunblane and Bridge of Allan. The population is projected to increase by 7.7 per cent, to over 101,000, in the next 20 years. In particular, it is expected that:

- the number of people of pensionable age will rise by nearly one-third (32 per cent), compared with a national average of 28 per cent
- there will be a six per cent increase in the number of people of working age, significantly higher than the Scottish average of one per cent
- the over-75 population will increase by 90 per cent, compared with a Scottish average of 85 per cent.

There are significant social and economic inequalities across the council area

10. While, in broad terms, the Stirling area is relatively affluent and prosperous, some areas are among the most socially and economically deprived in Scotland. For example:

- Life expectancy for men and women is close to the national average. However, there is a gap of around 13 years in life expectancy between the most deprived areas and the most affluent areas. Life expectancy for men in Dunblane East is 82 years, compared with 69 years for men living in Raploch.

¹ Perth and Kinross, Clackmannanshire, Falkirk, North Lanarkshire, East Dunbartonshire, West Dunbartonshire, and Argyll and Bute.

- In the 2011 census, 28 per cent of people living in Raploch reported that their day-to-day activities were limited because of health factors, compared with 17 per cent in the council area as a whole.
- Communities within the Raploch and Cornton areas are in the top ten per cent most health deprived nationally, while areas in Dunblane and Bridge of Allan are among the least-deprived one per cent nationally.
- Just under 19 per cent of children living in Stirling were living in poverty in December 2015, compared with a Scottish average of 23 per cent. Across Stirling, this varies between less than one per cent of children living in low income families in Dunblane to 52 per cent in Raploch.
- The level of income deprivation in Stirling is below that of Scotland as a whole (9 per cent in Stirling compared with 12 per cent nationally) but, across Stirling, income deprivation ranges from 40 per cent in Raploch to 0 per cent in Dunblane and the Blane Valley.
- Almost one in five households do not have anyone in employment. The level of employment deprivation is less than the national average (eight per cent of the working age population compared with 11 per cent for Scotland as a whole). According to the Scottish Index of Multiple Deprivation, employment deprivation across Stirling ranges from 36 per cent in Raploch to zero per cent in Bridge of Allan.
- Job density has declined since the last recession (from 0.94 in 2007 to 0.82 in 2016). This means that there is fewer than one job for every Stirling resident. In addition, the business growth rate is below the national average.

The council has a well-defined vision which is aligned to its service plans and mapped to the community planning partnership plan

11. The Stirling Council Five-Year Business Plan lays out the council's vision, 'to be bold, ambitious and community-led, delivering quality services that are centred on the citizen, tailored to the different needs of our communities' and recognises the social and economic inequalities that exist in the council's area.

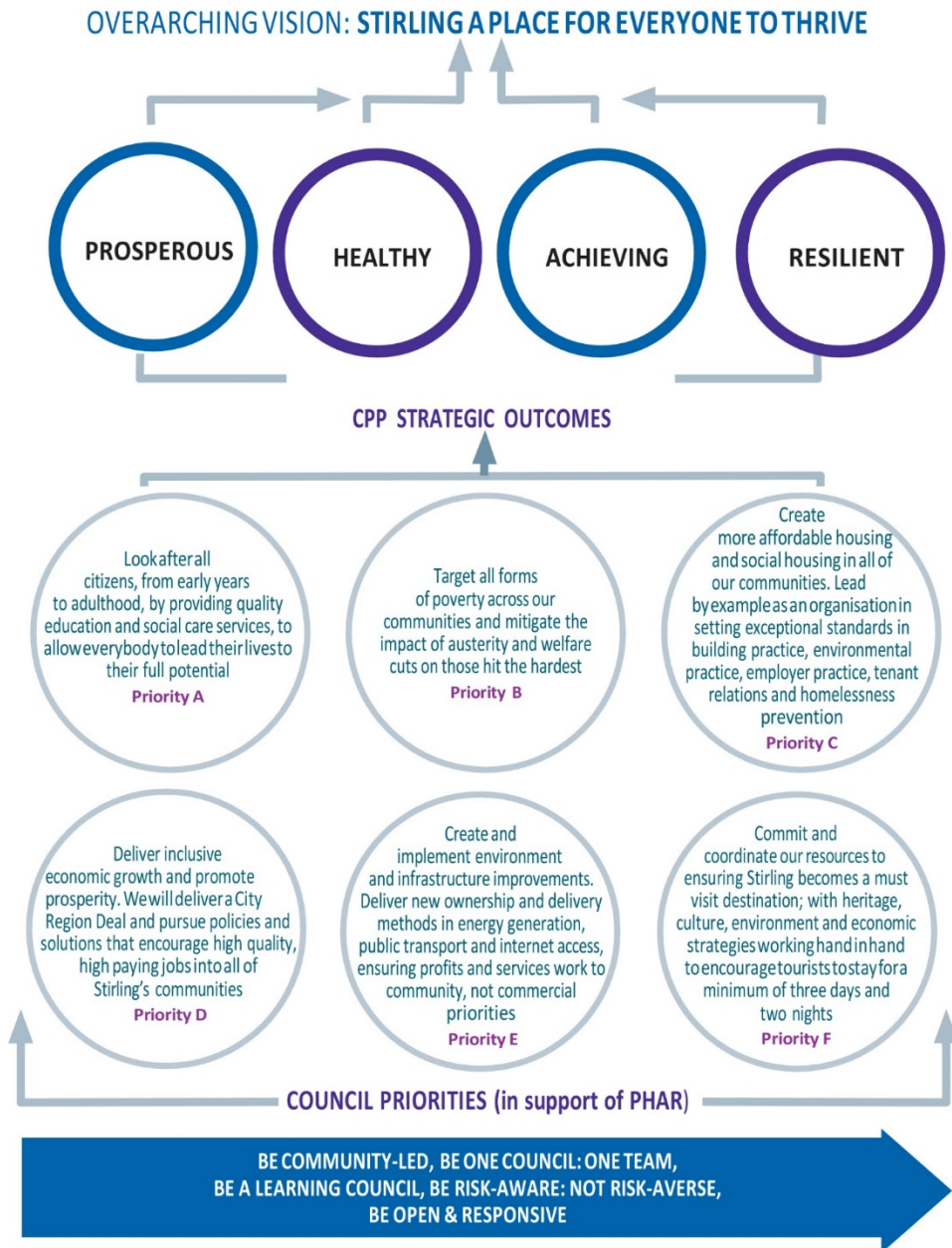
12. Stirling Council plays a leading role in the Stirling Community Planning Partnership (the CPP). The CPP's ten-year Local Outcomes Improvement Plan (LOIP) ('the Stirling Plan') was approved in 2018. The LOIP describes the overarching vision for the next ten years for the Stirling area to be 'somewhere everyone can thrive'. It identifies four outcomes, which are the priorities for the council and its partners:

- **Prosperous Stirling** – people are part of a prosperous economy that promotes inclusive growth opportunities across our communities.
- **Healthy Stirling** – people are healthy and live active, full and positive lives within supportive communities.
- **Achieving Stirling** – people are skilled and supported to make a positive contribution to our communities.
- **Resilient Stirling** – people are part of safe and caring communities within an attractive and sustainable environment.

The alignment between the LOIP and the council's business plan has been strengthened in the council's most recent five-year business plan to 2024. The council has aligned the four partnership outcomes, with the six priorities of the council, in the business plan ([Exhibit 2](#)). The objectives in the council's business plan are linked to service plans.

Exhibit 2

How the council priorities are aligned to and support the Stirling Community Planning Partnership strategic outcomes



Note: PHAR is the abbreviation of the CPP's outcomes – Prosperous, Healthy, Achieving, Resilient

Source: Stirling Council

13. The council developed a revised approach to service planning during 2018/19. The key aim was to produce a set of guiding principles and a service plan template to ensure clearer linkages between the service and the five-year business plan and the Stirling Plan. The new guidance sets out that service plans will be reviewed and refreshed annually and approved by the CMT and councillors. Senior managers are accountable for the delivery of the service plan and progress is monitored and reported six monthly to the CMT.

The council has responded to feedback from the community in developing how services are delivered

14. The council and its community planning partners held a number of engagement sessions to gather information to inform the Stirling Plan and ensure that the priorities reflect local needs. Several methods of participation and engagement were used including an online survey, face-to-face engagement events for communities, staff and partners, and a CPP leadership workshop.

15. The council, as part of the annual five-year business plan refresh, also carries out engagement with the public when setting the annual budget and considering proposed savings options. This process and ongoing improvements to it are reported further at part 3 paragraphs 51-53. Examples where public consultation have influenced what the council does include:

- Proposals to reduce funding for the Big Noise and Smith Art Gallery were discussed at a series of public meetings and direct engagement with both of these organisations. Communities stressed the value of both projects. They emphasised that, in particular, the loss of the Big Noise could lead to an increase in spending as it is aimed at reducing social inequality. As a result, both options were significantly amended and the council is working with both organisations to explore other funding sources.
- There was public engagement on the proposal to close Fintry Nursery due to a low number of pupils. The community highlighted the importance of the nursery, from both an education viewpoint and a community cohesion viewpoint. The community viewed the nursery as attracting inward housing growth and the council agreed that this proposal was not in the long-term interests of the community.

The council and its partners have been slow to progress elements of the Community Empowerment (Scotland) Act 2015

16. The Community Empowerment (Scotland) Act 2015 gives people more influence over how their council and its partners plan services. The council has been slow to progress the locality planning aspects of the Act to support citizens to shape local services. The Act also requires that CPPs identify areas within council areas that have the poorest outcomes and publish 'locality plans' to improve outcomes for these communities. Statutory guidance required locality plans to be published by 1 October 2017.

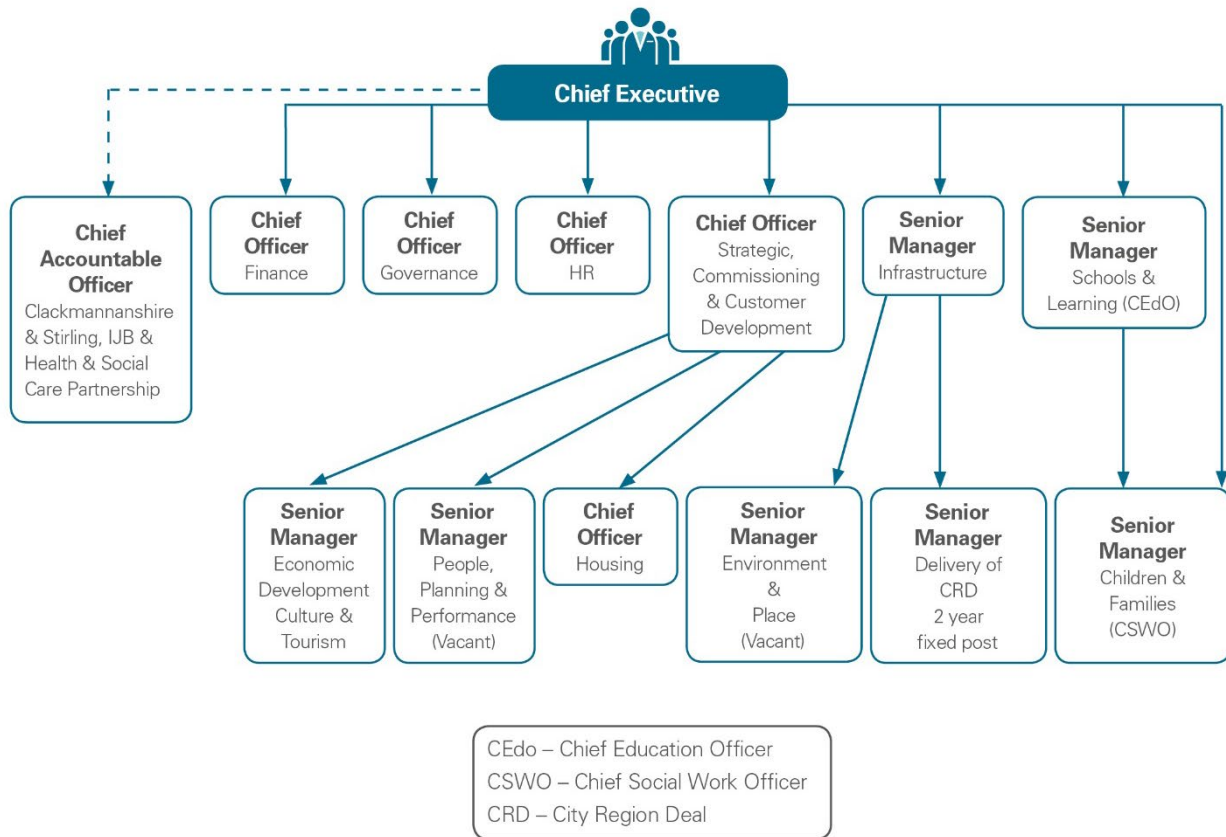
17. The council and its partners have only published one (Raploch) of the four locality plans required by the Act. The council is reviewing its approach to developing the remaining plans to ensure that there is a more collective approach, thus ensuring that communities have more ownership of the process. As a result, there is currently no timeline in place for the completion of the remaining locality plans.

Changes to the organisational structure have slowed the council's pace of improvement

18. There have been several management restructures in the last five years. The first, in 2014, reduced the number of service managers and resulted in a re-design of services. In May 2016 the council was restructured into two service areas to align resources with the council's key priorities and requirements. Further structural changes were made in 2017 to address the impact of the break-up of Stirling Council and Clackmannanshire Council's shared education and social work services arrangement. Since then, there have been further changes to reflect both individual departures and organisational restructuring. In August 2018, the previous chief executive resigned after four years in post. The current Corporate Management Team (CMT) is shown at [Exhibit 3](#).

Exhibit 3

Stirling Council's corporate management team, March 2019



Source: Stirling Council

19. These changes have been disruptive and unsettling for some staff, have caused a loss of corporate memory and have slowed the council's overall pace of improvement. A period of stability is now needed. The interim chief executive for the six month period from September 2018 was permanently appointed in March 2019.

20. The most recent changes in the CMT have resulted in a shift in corporate culture. The CMT feel their team is more cohesive than in the past. The Chief Executive has set out to be more visible and accessible to staff. For example, she regularly meets with small groups of staff to hear their views in informal sessions. Early indications are that the current CMT are aware of the areas that need to improve to demonstrate Best Value across the council (see Part 5).

There are sound governance structures in place and councillors and officers work well together. However, there has been a lack of effective officer and political leadership in focussing improvement against the council's priorities

21. The duty of Best Value rests with both political and management leadership. Since the previous Best Value report in 2011, there has been a lack of effective officer and political leadership in focussing improvement against the council's priorities.

22. More recently, the council has demonstrated a strong sense of collective purpose among councillors and senior officers in terms of achieving its priorities and objectives. There are constructive and positive working relationships both among councillors and between councillors and senior officers.

23. The council has a committee structure in place which is supported by clear roles for members and officers, and procedural documentation for decision-making. The council's decision-making and delegation arrangements, and its committee structure are regularly reviewed and updated. Councillors provide effective scrutiny and challenge across all committees. The council's Audit Committee comprises six elected members and is well attended by relevant officers. The role of convenor is undertaken by the leader of the opposition party.

Councillors have a responsibility to take advantage of the training opportunities provided

24. It has been nearly two years since the 2017 local government elections, which saw 12 newly elected councillors. Members should review their personal training and development needs to ensure they have the skills required to effectively fulfil their roles. They should consider the 2016 report on [**How councils work: Role and responsibilities in councils – Are you still getting it right?**](#) which stresses the importance of training and development to support councillors with the skills and tools required to carry out their complex and evolving roles.

25. There is an extensive training and development programme for councillors in place, but uptake has been variable. Members have a responsibility to take advantage of the training opportunities available. Officers now need to work with members to understand reasons for low attendance at some training courses and agree on actions to improve attendance. Members should work with officers to review their personal training and development needs and agree a plan to ensure they have the skills required to effectively fulfil their scrutiny and challenge roles, including their duty to scrutinise the council's Best Value arrangements.

Part 2

How well is the council performing?



The council does not clearly report performance against its priorities. National performance data shows that services are performing well. However, user satisfaction is below the Scottish average for some services and the council needs to address this.

The 2011 Best Value report said that the council needs to improve the way it monitors and reports progress against its priorities. Insufficient progress has been made since then and fresh impetus is required

26. Historically, planning and performance monitoring has been undertaken at service level and not focussed on the council's priorities. In August 2017, the Portfolio Management Office and Data Team was established to provide a single, central structure for managing, coordinating and prioritising resources across a large number of different projects and programmes. This did not include using performance data on a corporate level to drive improvements.

27. In October 2018, the Portfolio Management Office and Data Team was reformed into the Planning and Performance Team as part of a corporate restructure. This team reports to the CMT and the Performance Board. This now aims to provide a greater corporate overview of performance. The Senior Manager for People, Planning & Performance left in March 2019. Clear leadership in this area is necessary to ensure that the ongoing development of the council's performance management arrangements is sustained. The council is also revising its performance management framework, and this is reported further in Part 5. This includes developing refreshed corporate, senior manager and service scorecards that link to outcomes in the Stirling Plan.

28. The council's committees receive regular performance reports throughout the year. These monitor progress against the council's service objectives based on performance scorecards. These reports were updated in October 2018 to reflect the council's six priorities. However, they still do not show a clear summary of the council's performance against priorities.

29. Currently, there are almost 600 indicators within the council's performance management system, of which 174 are reported at service level to the decision making committees. Additional indicators are in development at corporate level. The council must identify which of these are key to enable it to demonstrate and drive improvements in its priority services.

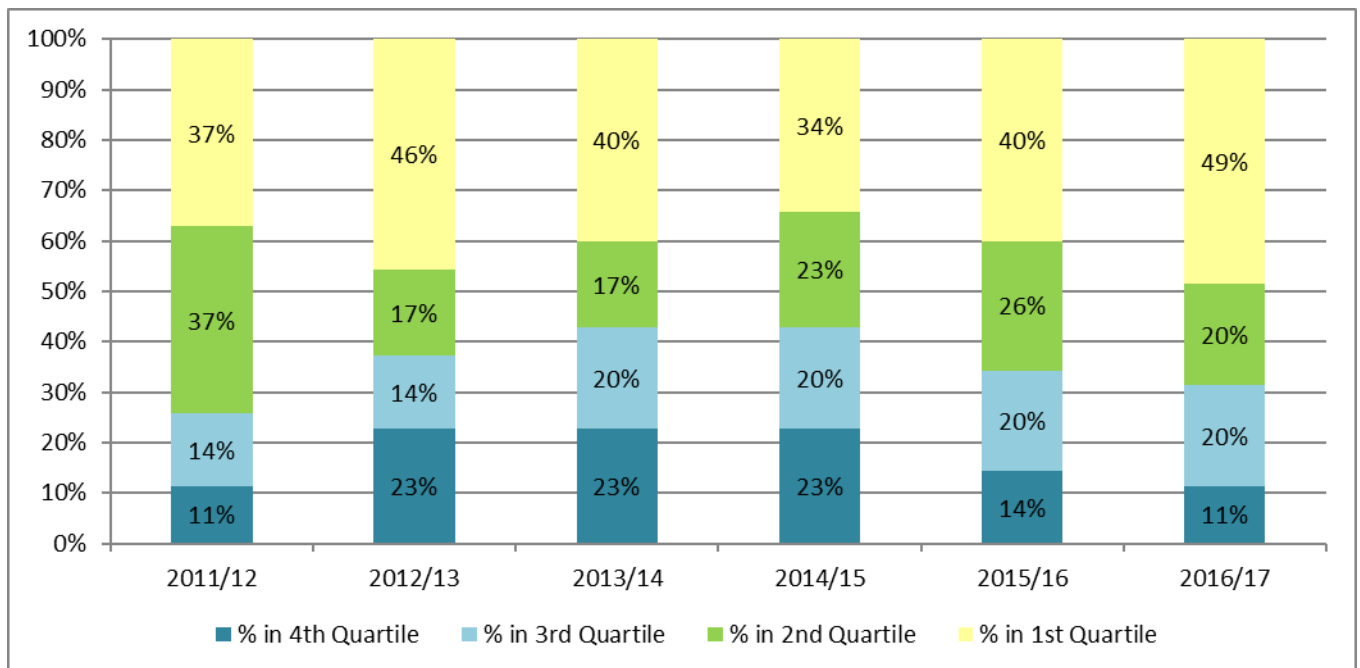
National indicators show performance is good in many services

30. The Local Government Benchmarking Framework (LGBF) brings together a wide range of information about how all Scottish councils perform in delivering

services and stakeholder satisfaction. Our analysis of the LGBF data shows that the council performed well across the majority of service areas over the period 2011-2017. Although there are over 70 performance indicators, the analysis at [Exhibit 4](#) is based on 35, single-year, mainly outcomes-based indicators which have been reported through the LGBF every year during the seven-year period.

31. Of the indicators included in the analysis, the proportion in the top two quartiles in the past seven years to 2016/17 have remained high, between 57 and 74 per cent. Recently, data for a number of these indicators has been published for 2017/18 which shows a decrease in the proportion of indicators in the top two quartiles.

Exhibit 4 Stirling Council LGBF relative performance 2011/12 to 2016/17



Notes: Measuring council performance involves considering how all councils are performing, from lowest to highest for each indicator. From this, it is possible to see how one council compares with all other councils. Relative performance against other councils is divided into four equal bands, or quartiles. The first quartile contains the best-performing councils for that indicator and the fourth quartile contains the poorest-performing councils.

The above data is based on 35 indicators which have been reported every year in the LGBF since 2011/12.

Source: Audit Scotland and Local Government Benchmarking Framework, Improvement Service, 2016/17

The council could make better use of benchmarking to deliver improvement

32. The council reports annually on the LGBF indicators to both the Finance & Economy Committee and the Audit Committee covering its performance over a four-year period ([Exhibit 5](#)). The results of this analysis are consistent with our analysis above.

Exhibit 5

Stirling Council analysis of 2013/14 to 2016/17 LGBF results

		Long term performance from 2013/2014 to 2016/17
↑	Improving performance	42 (55%)
↓	Declining performance	33 (43%)
↔	No change	1 (1%)
		2016/17
↑	Better than Scottish average	44 (58%)
↓	Worse than Scottish average	28 (37%)
↔	Same as Scottish average	1 (1%)
?	Unknown *	3 (4%)

Note: This analysis is based on all 76 indicators reported through the LGBF. *There are three indicators where the data was not available for 2016/17.

Source: Audit Scotland and Stirling Council

33. The Accounts Commission requires all councils to report on performance using LGBF data. It is not clear how the LGBF has been used to systematically identify areas for improvement. The council recognise this and plans to analyse the 2017/18 LGBF data and use the results to identify its performance in relation to priority indicators and assess where they need to improve or maintain their current position.

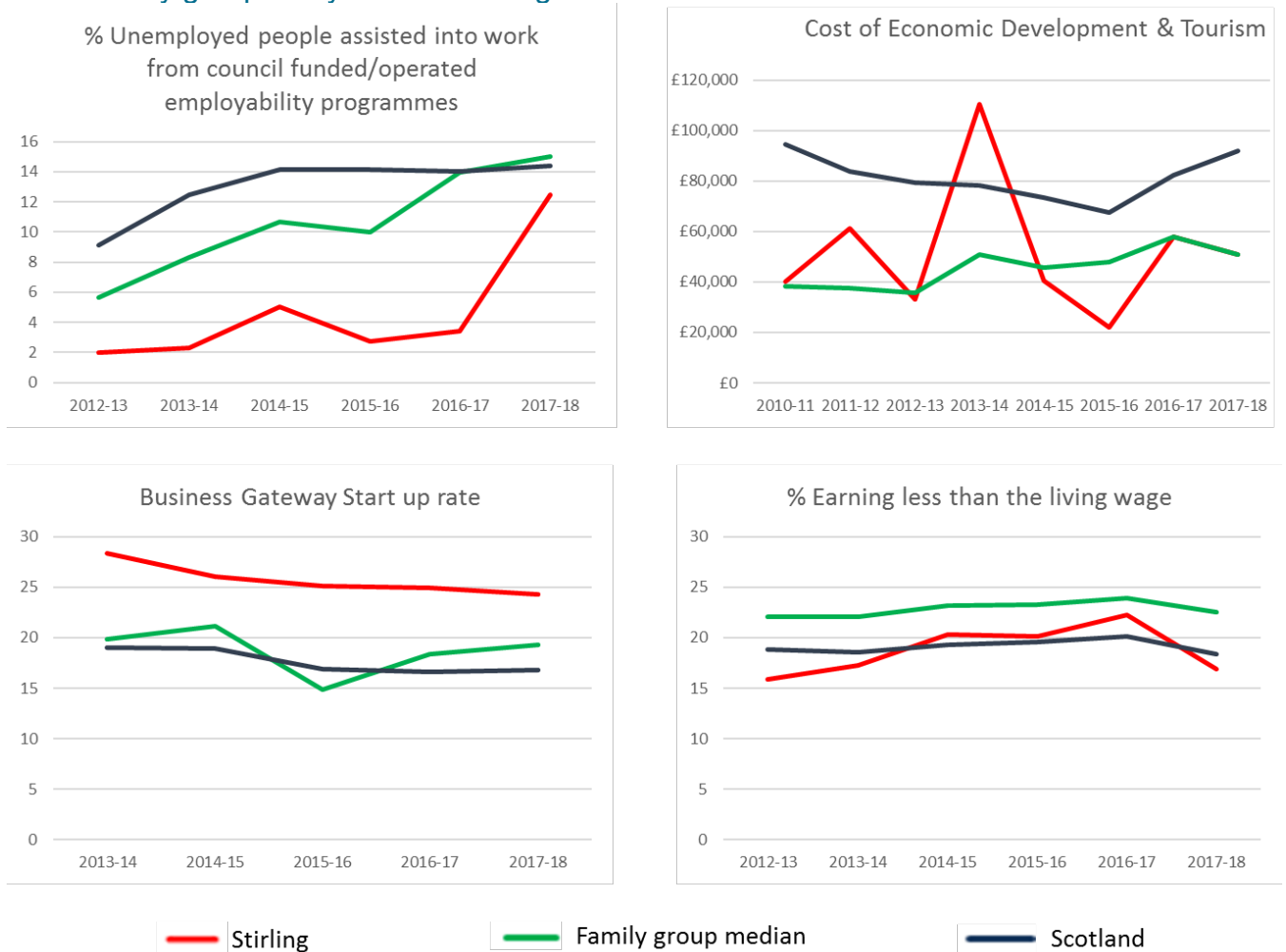
34. Areas that are underperforming according to the council's analysis are cost and satisfaction of waste services (net cost of waste collection was ranked 32 in 2016/17) and the percentage of all roads that require maintenance. The council is addressing the persistent low performance in the waste management service and has engaged with staff to identify reasons for this. Issues highlighted include poor communication with front-line staff, problems with redesigned collection routes, poor-quality personal protection equipment and depot cleaning not being arranged around the seven-day service that was recently introduced.

35. The council formed a waste task group in May 2018 to address these problems and to find solutions to issues raised by staff. The council introduced bespoke technology to better support route planning, and to help increase staff engagement. Overall, collection rates improved from 91% in June 2018 to 97% in December 2018.

36. As part of the LGBF, councils with similar demographics have been grouped into family groups so they can share good practice and work together to improve services. Stirling Council has not considered any analysis of family group data. We have analysed LGBF family group data for one of the council's priorities – delivering inclusive economic growth and promoting prosperity at [Exhibit 6](#). Council performance relative to other councils in the relevant family group in this area is a mixed picture. The council could make more use of this comparative data to help with its improvement.

Exhibit 6

LGBF family group analysis: economic growth



Source: Improvement Service/Audit Scotland 2017/18. Stirling Council is in a family group with Perth & Kinross, East Lothian, Moray, Fife, South Ayrshire, East Ayrshire and North Ayrshire Councils for their corporate, culture and leisure, environmental and economic indicators.

Public performance reporting needs to improve to show progress against the council's priorities

37. It is important that councils clearly report their performance to local citizens and the community. Good performance reporting which councils should include in their performance reports to the public includes:

- clearly stating how performance and spend are linked to the council's priorities;
- local indicators which demonstrate quality of service;
- public satisfaction levels;
- an overall assessment of the council's performance against outcomes.

38. The Annual Public Performance Report is available on the council's website. The performance reported is linked to council priority areas. However, many of the measures highlighted in the council's five-year business plan are not included in the performance report. The council has recognised that this is an area for improvement and is planning to address this.

39. From 2019, the five-year business plan provides additional information on the key measures used to demonstrate progress against strategic priorities. This includes progress since 2015/16 and the overall trend. It does not yet incorporate targets.

40. There are links on the council website to up-to-date performance indicators in the performance management system. But these indicators are not currently linked to council priorities. The priorities are currently reported through the relevant service committees. These details can be accessed by the public through the council's website, but this is not easy to do. It is not clear what the main council priorities are and how the council has performed across these priorities over time. The council is reviewing how to improve its reporting in this area.

41. LGBF indicators relating to public satisfaction can also be accessed on the council's website, but this and the annual public performance report need to put this data into better context to enable citizens to gauge how the council have performed in relation to its key priorities over time.

Service satisfaction exceeds the Scottish average in over half the indicators, but others perform less well.

42. The 2011 Best Value report concluded that satisfaction with council services is good and improving. The council cannot demonstrate that this is still the case as it has not conducted a residents' survey for seven years and it has not used national data to assess service satisfaction.

43. The LGBF includes indicators to assess customer satisfaction with council services. These are based on results from national surveys. Our analysis of LGBF service satisfaction indicators shows that the council performs above the national average in five of the nine indicators and below average in the other four ([Exhibit 7](#)). Satisfaction is particularly low in refuse collection and street cleaning. Earlier in part 2 at paragraph 35 we discuss the changes being made to waste management services, which it is hoped will improve satisfaction. The council should now consider the reasons for the results in other services and use these to identify improvement actions.

Exhibit 7

Stirling Council's performance against service satisfaction LGBF indicators in 2017/18

Indicator	Satisfaction level (%)	Scottish average (%)	Ranking out of 32 Scottish local authorities
Adults satisfied with libraries	86%	73%	3rd
Adults satisfied with leisure facilities	82%	72.7%	4th
Adults satisfied with parks and open spaces	89%	85.7%	7th
Adults looked after at home satisfied that the care they receive has an impact on their quality of life	81%	80%	12th
Adults satisfied with local schools	76.3%	72.3%	18th
Adults satisfied with museums and galleries	67.7%	70%	17th
Adults satisfied with social care or social work services	78.8%	80%	23rd
Adults satisfied with refuse collection	69.3%	78.7%	30th
Adults satisfied with street cleaning	59.7%	69.7%	31st

Source: Improvement Service/Audit Scotland

44. The council is currently reviewing its approach to assessing user satisfaction. It adopted a 'big conversation' approach in 2018 to get residents' views on its plans and priorities. This included an online public survey, a social media campaign, community discussion sessions and conversations with the third sector. There was also an online staff survey, and a number of round-table discussions with both management and operational staff. The 808 suggestions from the public were categorised initially into 460 ideas and then into 276 options, of which 135 have progressed and the remainder have been rejected.

Part 3

Is the council using its resources effectively?



The council demonstrates effective financial management and its budget process has achieved savings over a long period. The medium-term financial plan shows a cumulative funding gap of £32 million for the five years to 2023/24 and innovative service reform will be needed to achieve this. The plan is linked to the council's workforce strategy which identifies future staffing needs and training requirements.

The council's financial management is effective, and the council's approach to budgeting provides a good basis for financial planning

45. Scrutiny of financial performance is delegated to the Finance & Economy Committee (FEC), which receives regular revenue and capital monitoring reports. All changes in forecast outturn are reported to the CMT and to the FEC during the year. The financial information periodically reported, including reasons for any significant variances, is consistent with the information reported in the audited accounts. Overall, from our review of these reports and attendance at committee meetings we concluded that the revenue and capital monitoring reports provide an effective overall picture of the budget position at service level and support both members and officers in carrying out effective scrutiny of the council's financial position.

46. The council has a good track record of delivering services within budget over the last few years. The general fund surplus in 2017/18 of £5.883 million included a surplus of £4.214 million relating to the earmarked element of the general fund for spending in future years. This is being held for a variety of purposes, including for activities to be directed towards achieving transformation change.

47. The council's approach to budgeting, which officers refer to as Priority Based Budgeting (PBB), has served it well over the last 5 years and has identified savings options. All service managers have received budget setting training. This includes them being made aware of the criteria for savings options and what they need to measure this against, together with the quality of information they must provide. Each savings option needs to demonstrate how it will impact service priorities and risks, and a quality impact assessment is prepared for each option. Prior to presenting this information on savings options to elected members, they are discussed at service and corporate round table meetings where they can be challenged and modified.

48. This has led to the identification of options for reducing budgets to match the funding available, and to drive service improvements. Budget savings of £38

million have already been approved through budget setting phases 1 to 5 (known as PBB1-5) since 2014/15 as summarised in [Exhibit 8](#).

Exhibit 8

PBB1-5 savings targets

PBB phase – year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	Total
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
PBB1 – 14/15	3.6	3.4	2.1	1.2	0.6					10.9
PBB2 – 15/16		0.2	0.4	0.4	0.2	0.1				1.3
PBB3 – 16/17			6.5	4.8	3.9	4.4	3.4			23.0
PBB4 – 17/18				0.5	(0.1)	–	–	–		0.4
PBB5 – 18/19					0.9	0.8	0.4	0.1	0.3	2.5
In-year	3.6	3.6	9.0	6.9	5.5	5.3	3.8	0.1	0.3	38.1
Cumulative	3.6	7.2	16.2	23.1	28.6	33.9	37.7	37.8	38.1	

Source: Stirling Council

49. The approved options from each year are monitored and reported to the Performance Board, the CMT and the FEC. The Performance Board meets monthly and reviews detailed progress reports from council service areas. Summarised progress reports are presented to the CMT and FEC. The approved options generated by the budget setting process and the five-year outlook are updated each year as part of the annual budget-setting process.

50. The council has reduced costs across various areas in recent years. In achieving these budget reductions, alternative ways of working have been implemented, including the better use of technology, the pooling of administration resources, and the identification and elimination of areas of duplication. Additional support and training has also been provided. Examples include:

- **Reductions in management/supervision capacity:** this has yielded savings of £3.4 million with a reduction of 85 posts. These reductions have been primarily aimed at reducing costs, as well as smaller scale and more targeted changes to the way of working aimed at amending service delivery, which have led indirectly to financial benefits. To date, these reductions in management/supervision capacity have been achieved without any significant service implications. As management and supervision capacity becomes stretched, any further reductions will become more difficult to achieve.
- **Review of facilities management (FM):** the council previously operated a number of FM operations that operated independently of each other and, consequently, there was a degree of overlap in FM functions. Following a review, these are now managed as a single operation, resulting in savings of £0.500 million since 2016. The savings are mainly a result of reductions in management and supervision capacity, but also reductions at operational staff levels through the more efficient deployment of resources.
- **Commercial Excellence Programme:** investment was made to improve the procurement practice of the procurement team. This has resulted in improvements in legal and contract compliance. It has also generated savings of £1.5 million through tighter contract specification, improved supplier management, the elimination of off-contract spending and working

more closely with services. Further savings are anticipated in future financial years.

51. The council's approach to budgeting is in the process of being reviewed and updated. It is expected that the existing mechanisms will remain in place, but with an increased focus on public consultation and option appraisal. The council recognises the need to have broader discussions with communities. Previously, PBB was used to identify a list of cost reduction options, which were outlined to senior staff and community councils for comment. In addition, residents were invited to a series of 'Community Conversations' in the January and February immediately before the budget approval. An online survey based on the cost reduction options was also carried out. Feedback from all of these consultations has been analysed and it highlights, among other things, that the consultation process could have been carried out earlier and that some options were difficult to understand, as insufficient financial and performance information meant that the proposals could not be considered in the correct context.

52. Efforts to promote community engagement with the development of the 2019/20 budget started earlier than in previous years, and have been expanded to ensure that a broader range of community groups are included. This included more focused meetings with disability groups, mother and toddler groups, care home residents and libraries, and using other means to engage with communities.

53. The online response to 'the Big Conversation' survey carried out towards the end of 2018 has been positive, with over 1,100 responses from residents and staff generating over 800 suggestions. This was used to gather public opinion on where income could be increased and where costs should be reduced.

54. The council's approach to budgeting has provided a good foundation for aligning the council's funding with its business plan objectives. These objectives have underpinned the council's activities and how it allocates funds. The key mechanisms should continue to be in place following the planned review and update.

The council has projected a funding gap of £32 million over the next five years

55. The council's rolling five-year business plans set out how services will be delivered in line with the council's key priorities and outline the anticipated financial position over this period. It is reviewed each year and is updated to reflect a more detailed understanding of the cost pressures, planning assumptions and Scottish Government settlement figures. There are clear links between PBB and the council's business plan.

56. Projected reductions in funding from the government, combined with increased demand for financial services, means that efficiency savings are an important means of bridging the gap between funding received and spending commitments.

57. When setting the 2018/19 budget in February 2018, the cumulative budget gap over the five-year period to 2022/23 was £20.5 million. Since then, revisions to assumptions regarding grant income and payroll costs and social care growth have resulted in the budget gap increasing to £24 million over the five-year period. The five-year budget gap to 2023/24 increased to £32 million when the 2019/20 budget was set in February 2019. Members are kept informed of budget gap updates throughout the year.

58. The council has achieved cumulative savings for the period to 2017/18 of £22.982 million, over the first four years of PBB; the savings target for this period was £23.075 million (99.6 per cent). This level of savings is important for ensuring that the council continues to meet the savings targets it has set for the period to 2022/23 and thereafter.

59. Reducing services or posts while, at the same time, ensuring that service delivery continues, is a difficult balancing act. The council considers that this has been achieved thus far without any significant service implications. The council now feel that management and supervisory capacity is stretched, and the ability to take forward new initiatives needs to be planned very carefully to ensure that core service delivery can be maintained and/or any desired improvements attained. Any further significant reduction in management and supervision capacity in future will be much more difficult to achieve.

The council has recently set out a long-term financial outlook

60. The council recently set out a longer-term update for the ten-year period to 2028/29. This considers a range of issues that currently affect the financial strategy or that may affect it in future. Although many of the assumptions cannot be made with any degree of certainty, this provides the council with a sense of how each of the assumptions might change in future, and how, collectively, they will form a picture of what the longer-term financial outlook may be.

61. The Scottish Government's medium-term financial strategy together with recent papers by the Scottish Fiscal Commission have been used to help predict future grant settlements. Other key forecasting information used in the long-term financial outlook include the National Records for Scotland (NRS) projections of Scottish household numbers and distribution across Scotland. Assumptions around other key factors such as local taxation, pay awards and energy costs have also been factored in. Cumulatively, using the median scenario, this projects a cumulative budget gap of £57.7 million to 2028/29.

62. The council's adult services budget has overspent in recent years. The long-term financial outlook highlights that funding for social care services will be the most challenging issue in the coming years, and will require central government, councils and the health board to work together. NRS projections show that Stirling Council is not in the group of councils that face the highest rates of ageing in their populations. Nevertheless, increases in the number of elderly people are still expected to be significant in the Stirling Council area, with a projected 18 per cent increase in households aged over 75 between 2016 and 2023, rising to a 75 per cent increase by 2041. These figures are marginally higher than the Scottish averages.

63. The council, in partnership with the Clackmannanshire and Stirling Health and Social Care Partnership's transforming care programme, will need to meet the changing needs of the population and help lessen the financial impact in the short term. Examples of work taking place to do this include greater use of Just Checking monitoring equipment to help people continue to live at home, the development of the Stirling Health and Care Village (further details are given in Part 4 of this report) and working with the local community in Balfroon to develop an integrated model of neighbourhood care.

The council has an adequate level of reserves to respond to unexpected events

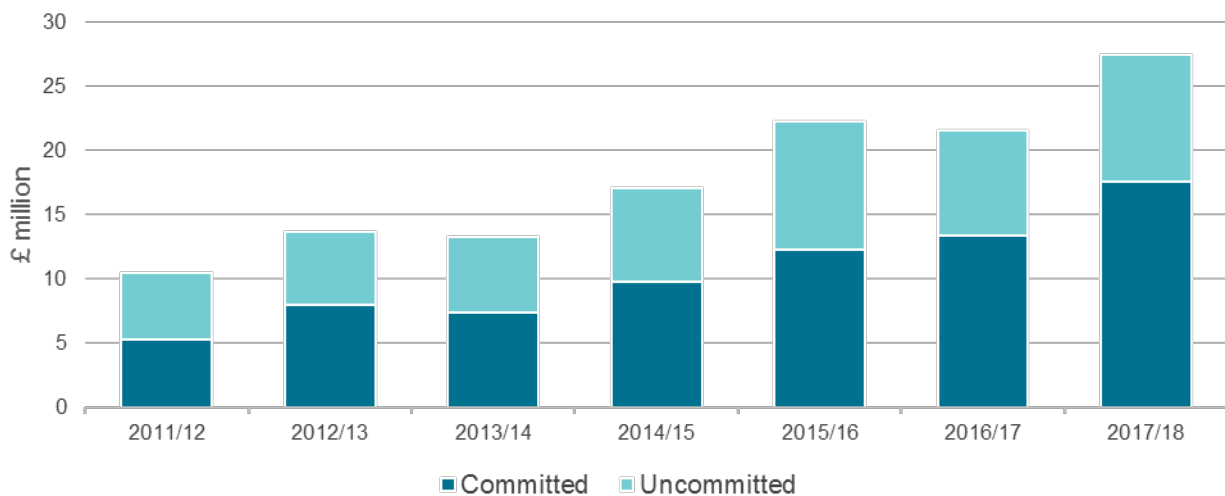
64. [Exhibit 9](#) provides an analysis of the general fund over the last five years, split between committed and uncommitted reserves. There has been a considerable increase in recent years in both the committed and uncommitted elements. The overall balance at 31 March 2018 was £27.633 million. The council considers that financial uncertainty around local government funding makes it important for the council to hold a sufficient level of reserves to help deal with the implementation of change that will be needed to achieve balanced budgets, and to enable the costs of change to be met.

65. Committed elements of the general fund increased over the period, to £17.611 million at 31 March 2018. This includes funds for a number of corporate initiatives, including a risk fund, which held a combined balance of £8.820 million at the year-end, an increase of £1.948 million from the previous year. This is in line with the

PBB strategy, and the council intends to use this to finance transformation costs. This includes any severance costs that may arise, such as the £4.166 million that was used in 2016/17 to support transformation change and contributed to the decrease in reserves in that financial year.

66. The council's total usable reserves as a proportion of annual expenditure (of which the general fund balance is the most significant usable reserve) is around the median compared with other Scottish councils.

Exhibit 9 Analysis of Stirling Council's general fund since 2011



Source: Stirling Council annual accounts

The council's five-year workforce plan is linked to the five-year business plan and budget setting approach

67. Prior to 2015/16, the council had internal documents in place to support workforce planning. Since then, a rolling five-year strategic workforce plan has been prepared and approved annually. The workforce plan:

- demonstrates how the strategic workforce priorities link to the council's priorities
- demonstrates what the future workforce will look like
- provides an analysis of future workforce needs
- identifies the principal areas for which the future workforce will be required, together with skills, capacity gaps and training requirements.

68. The workforce plan contains an action plan, which is reported to the CMT monthly. This includes actions aimed at reducing the workforce on the basis of options identified through PBB agreed in the current year and prior years, together with actions relating to areas for workforce expansion. Each service has a workforce plan with actions, responsibilities and timescales for completion. These plans are used to highlight what training is required and where it is most needed. From 2018/19, service workforce plans will also incorporate actions to address the findings from the recent staff survey.

69. Workforce planning has improved since the combined HR and payroll system was introduced in 2016. This provides better management information in relation to council employees, for instance where they are employed and what support and training they require.

70. The restructuring of services, as outlined in Part 1, paragraph 18, have generated annual savings of around £3.4 million.

71. Consultation with staff has been sporadic and levels of engagement vary. There were no staff surveys from 2008 until 2018. The findings of the recent survey are being used by the CMT to address the issues raised.

72. Staff engagement and views are sought through initiatives such as the 'big huddle'. This has been in place since 2014 and has been effective. It continues to be valued by staff and is well attended, with the frequency of events increasing from two to three per year. These focus on areas such as intrapreneurship, resilience, and health and wellbeing. Other forms of engagement include recently introduced regular meetings between the chief executive and staff from all services to share comments and ideas. There are also quarterly meetings between management, members and trade union representatives to enable staff concerns to be raised, including the impact of changes in structure.

73. The council's sickness absence has been in the best performing quartile for Scotland for most years since 2011/12. This deteriorated slightly in 2017/18, but remains in the top quartile.

74. The council has taken steps to ensure its workforce are being fairly treated. The council achieved Living Wage accreditation in 2015. A consolidated hourly rate has been implemented and paid to staff since 2015. The council was an early adopter of this approach and paid the Rowntree Foundation living wage six months before the national pay award.

75. The council completed work on job evaluation in 2009 and all residual equal pay claims were settled in 2016. Compensation agreements were reached for 493 claims at a cost of £9.4 million. The council also addressed holiday pay for overtime for non-permanent contractors when this issue first arose in 2015. As a result, there are no known outstanding claims against the council in either of these areas.

The council recognises that effective asset management is key to delivering its priorities

76. A Property Asset Management Plan was in place covering the period 2014 to 2019, however it was not closely linked to key priorities. Since then, the council has developed a more strategic approach to effectively managing its assets and this can be seen in its Property Asset Management Strategy and Delivery Plan 2018 to 2028. This is linked to the council's key priorities through mapping property needs to support services in delivering the five-year business plan.

77. The council demonstrates an increased level of knowledge and awareness of its asset base and is currently undertaking a number of localised property rationalisation projects. This involves working in partnership with other bodies to increase the efficiency of asset management, through sharing space and reducing running costs. The Property Asset Management Strategy involves the implementation of a corporate landlord model for the day-to-day running of council property, as well as the development of a Single Public Estate to bring services and partners together to co-locate and share space. A target to reduce the collective operational floor print by 30 per cent over the period of the strategy has been set. The strategy is intended to deliver savings of £1.6 million over the first five years. An annual governance report will be submitted to the FEC detailing progress.

78. The council's monitoring of the capital programme has improved over the past two years. Reports presented to members are clear and concise, with information

presented in both graphic and tabular forms. Additional training and discussion sessions are offered to members to improve ongoing scrutiny. Although general fund capital slippage has been recorded in previous years this is not significant. Reasons for slippage are fully explained, are largely due to profiling and most capital projects have been completed within the overall planned timeframe. Housing Revenue Account (HRA) fund capital expenditure is generally at, or around, budget levels. A capital delivery group is now in place to drive improvement in this area. Overall slippage over the last five years has ranged from zero per cent in 2013/14 to 11 per cent in 2014/15.

79. The council's capital programme has included investment in projects linked closely to the City Region Deal. These include the development of the Digital District and the regeneration of the old harbour area on the banks of the River Forth. This work has been carried out to achieve benefits including improvements in customer service through collaboration, efficiency in operations and property costs, and the promotion of public-sector innovation.

80. The Investing in Education capital programme has supported the building and refurbishment of three primary schools and nurseries over the past three years, at a total cost of £17.8 million. Investment has also been made within roads infrastructure, through modernisation and improvement projects. The cumulative spend on roads infrastructure from 2014/15 to 2018/19 was £20.4 million. This represents 15 per cent of total general fund capital expenditure over the five-year period.

81. Over the past five years, the council's HRA capital programme has included an investment of £27.2 million in new-build properties. However, the actual number of properties built during this period was lower than planned with 151 properties built, against a target of 176. The reduction was due to the poor performance of a private building company in two of the developments and delays in procuring a specialist contractor to install foundations and drainage systems for an in-house build. A plan is in place to increase the council's housing stock by a further 279 units over the next five years.

82. The 2005 Best Value report noted the council's ambitious target to enable the build of 8,000 new homes by 2016. This was not achieved due to factors described by the council as the global economic downturn. A revised target of 7,072 new homes by 2027 has been set within Local Development Plans (LDP) since 2010. Progress against targets within the LDP is monitored as part of the annual Housing Land Audit carried out by the council and presented to the FEC. This sets out the availability of land for housing development and provides an update on completed builds over the period. The 2018 audit shows that the target of 7,072 new homes by 2027 is on track to be achieved, with the audit recording 2,345 completions to date and planned completions to be 7,301 units by 2027.

83. As well as the new builds the council's HRA investment programme includes Scottish Housing Quality Standard investment in kitchens, bathrooms, heating, windows and doors, and a significant solar panel investment programme.

Part 4

Is the council working well with its partners?



The council works well with a range of partners but management and reporting arrangements for the Community Planning Partnership need to improve. There is a need to further develop community engagement.

The council is committed to partnership working and has positive relationships across the public, business and third sectors

84. The council has well-established working relationships with a range of partners, including NHS Forth Valley, Police Scotland, the Scottish Fire and Rescue Service, the University of Stirling, the third sector and business partners. There are good examples of effective partnership and collaborative working, ranging from informal arrangements to structured partnership forums and arms-length external organisations (ALEOs), that is, organisations that are separate from the council but are controlled or influenced by it. Over recent years, a focus of the council's partnership working has been on the City Region Deal.

The council is working well with its City Region Deal partners to boost economic growth

85. The City Region Deal involves both Stirling and Clackmannanshire Councils. The councils have worked together to deliver the programme, with Stirling Council acting as the lead authority. A robust governance framework is in place, including the establishment of a joint committee as the decision-making forum for all City Region Deal matters.

86. Stirling Council established the City Commission to support development of the City Region Deal. The group includes senior representatives from the public, private and third sectors. It provides ongoing strategic oversight of the programme's development. Business cases submitted in support of projects have been well received by both the Scottish and UK Governments.

87. The council has made progress in the development of the Digital District as part of the City Region Deal. The council created a partnership with CodeBase to provide business start-up and scale-up support services for digital technology companies. One of the key partnership objectives is to ensure that the appropriate infrastructure is in place for companies to realise their ambitions for growth and development in Stirling. This is part of the City Region Deal objective of delivering inclusive and sustainable economic growth.

88. The council redeveloped the Municipal Buildings to house CodeBase and other digital technology companies. CodeBase Stirling opened in November 2017. Thirteen companies are now operating from the Municipal Buildings and these companies account for over 80 jobs. In addition, over 100 events have been hosted in the space including conferences and events to boost the profile of the Digital District.

The council reviews the performance of its ALEOs. It needs to demonstrate that the structure of these services remain fit for purpose

89. Stirling Council has 12 ALEOs. Funding provided by the council to these bodies in 2017/18 totalled £2.2 million, the majority of which was paid to Active Stirling.

There are service level agreements in place with all ALEOs. The other ALEOs provide a range of services including employability and skills training in Stirling and the wider area; corporate geographical information services; and the promotion of industrial and commercial activities that make accommodation available for letting. There are effective governance arrangements in place to monitor the performance of ALEOs. A comprehensive annual report has been in place since 2016/17 which is presented to the Audit Committee. It covers the activity and performance of the council's ALEOs and strategically funded bodies.

90. The largest ALEO is Active Stirling Limited. It has a service level agreement with the council to provide sport, physical activity and healthy living services on behalf of the council across the council area. This includes activities in the Stirling Sports Village and in community facilities and schools. It has an annual turnover of £6 million, £1.4 million of which is a management fee paid by Stirling Council. In addition, the council operates a lifecycle maintenance arrangement for The Peak leisure centre, whereby Active Stirling is responsible for general maintenance and the council finances any major capital repair costs. The council has a Partnership Agreement with SportScotland which supports the Active Schools and the Community Sports Hub programmes, delivered by Active Stirling Limited via a grant from SportScotland.

91. The council is in the process of reconstituting Active Stirling Limited. This has seen Stirling Council become the sole and controlling member, with a board of directors that includes community and health representatives. A new operating contract and service specification is being negotiated, to ensure that Active Stirling's activities are strategically aligned with the outcomes in the Stirling Plan and the Council's Sport, Physical Activity and Healthy Living Strategy.

92. Active Stirling's performance is monitored through key performance indicators, which are reported to the Community Planning and Regeneration Committee. To date, these indicators have focused on traditional outputs measuring lifestyle and elite sport focus, for example membership numbers, swim participant numbers, types of programmes delivered and customer satisfaction. The performance framework will prioritise the impact of sport and physical activity on life opportunities and circumstances. Stirling Council expects Active Stirling to deliver programmes and services that target more disadvantaged individuals, families and communities, in line with the Stirling Plan.

93. An independent review of the seven ALEOs which focus on the local economy was carried out by consultants and reported to the FEC in April 2018. This found that there was evidence to suggest that the ALEOs are contributing to growing the Stirling economy but there was less evidence to suggest the arrangements are contributing directly to council income. While the report looked at various options for alternative delivery of services, its recommendations mainly focussed on renegotiating the terms of contracts with ALEOs for services to assist ongoing delivery. The council are reviewing their options and an update will be provided to members in June 2019.

The council has demonstrated its ambition to work differently with partners

94. The council has tried to progress shared service models and has had some success in small-scale joint service arrangements. For example, the trading standards service it shares with Clackmannanshire Council has been in place since 2012. Stirling Council also delivers animal health and welfare services on behalf of Clackmannanshire, Falkirk and East Dunbartonshire Councils, and has a

partnership arrangement in place with Clackmannanshire and Falkirk Councils for the Bandeath Stray Dog Shelter.

95. In 2010, Stirling Council entered into a shared service agreement with Clackmannanshire Council for education and social care services. The councils were aiming to improve service quality and efficiency while maintaining their independence. The shared services worked on a lead authority model, with Stirling Council acting as lead for education services and Clackmannanshire Council as lead for social services. This covered management-level arrangements and some operational arrangements, but separate governance arrangements continued within each council. This included separate reports being taken to each council by the shared services.

96. The main advantage was that the planning and running of initiatives was more financially efficient. In 2015, the two councils commissioned a review of the shared service arrangements. The consultants concluded that over £1 million a year was being saved between the two councils and fully integrating services would create further marginal savings.

97. The shared service agreement did not run smoothly because the two councils have different priorities, governance structures, demographics and management cultures. For example, Clackmannanshire Council was one of the nine Scottish Attainment Challenge local authorities whereas Stirling was not. As a result, the shared service arrangement came to an end in October 2016 and Stirling Council redesigned their services. Some additional efficiencies may have been gained through continuing to share services. However, the council considers that since ending its shared service arrangement with Clackmannanshire Council, it has been easier to make decisions on savings and focus services on areas that provide greater benefits to Stirling residents. New governance arrangements are now in place.

98. The council has recently developed pilot partnership projects that have led to changes in service delivery, for example a partnership project with the charity Includem that focuses on improving services for looked after children and young people (Case study 1). The council should ensure that the impact of such partnership projects is monitored and reported effectively.

Case study 1

Stirling Council has worked with the charity Includem to improve the lives of looked after children, and reduce the number of children in residential and external foster care

- Includem is a charity that works in the community with children and young people who find it difficult to get the support they need from other services.
- Includem is working with Stirling Council on a two-year fixed term contract to pilot an intensive support service for children, young people and families. The service uses early intervention and prevention techniques to help reduce the numbers of children in residential care or external foster care.
- The partnership is a pilot project funded by Stirling Council. Each accommodated child or young person costs Stirling Council between £3,500 and £5,100 per week. One child on a placement costing £5,100 a week costs Stirling Council approximately £260,000 a year. The council invested £675,272 over the two-year pilot. Even if the partnership project with Includem prevents only two children from going into residential or foster care, a financial saving will be made.
- Equally important, the project is helping children and young people to build support networks, allowing them to play a full and meaningful role in their communities. This in turn could contribute to savings in other service areas, such as those related to homelessness and the adult justice system.

- In the first year of service, 33 young people were supported, with 14 young people no longer needing support from Includem. Eighty per cent of young people left the service having achieved the goals set when they first engaged with the service. This has led to cost reductions of £1.4 million with a current uncommitted position of £880,000.

Source: Audit Scotland

The Community Planning Partnership has a shared plan but reporting structures need to be improved and performance against outcomes reported

99. Community planning partners are committed to working together and have a shared vision for the Stirling area. A LOIP (the Stirling Plan) is in place but three out of the four locality action plans are still to be completed. Partners have aligned their own plans to the Stirling Plan.

100. As noted in Part 1, the CPP agreed the LOIP in early 2018. It links to the priorities outlined in the council's five-year business plan and sets out four outcomes. There has been a hiatus since the agreement of the Stirling Plan due to staff vacancies within the council and a lack of capacity by other partners. In general, partners look to the council to take the lead within the CPP but the CPP manager post has been vacant since August 2018. These factors have resulted in slow progress on developing the remaining three locality area plans and is also having an impact on the delivery of some outcomes in the LOIP. There is now a need to deliver on the outcomes in the Stirling Plan and effectively report on these. A Localities and Partnership Lead Officer has been appointed recently to lead and co-ordinate all CPP activities.

101. The CPP's reporting structures were set up when the previous Single Outcome Agreement was in place. The council and its partners plan to review these structures to ensure they remain fit for purpose for delivering the Stirling Plan. This will include:

- reducing the number of working groups
- setting up an executive group to prepare agendas for the CPP board
- establishing local area partnerships.

102. The information about the CPP on Stirling Council's website is out of date and difficult to find. Stirling Council and its partners are considering alternative ways of presenting CPP performance information to the public, including a dedicated website and new performance reporting arrangements.

The council has been slow to implement the requirements of the Community Empowerment (Scotland) Act 2015

103. Community empowerment is about supporting people to do things for themselves and enabling people to take control over the decisions and factors that affect their lives. The Community Empowerment (Scotland) Act 2015 gives people more influence over how their council and its partners plan services. It provides more formal ways for people to get involved, through for example:

- community asset transfers – where communities can take responsibility for land and buildings
- participation requests – where people can ask to take part in decisions about council services.

104. No community asset transfers have been completed by Stirling Council to date and there are no formal applications in progress. There were two indications of interest (stage one applications) in 2017/18, for Braehead Football Pitch and Braehead Community Garden.

105. The council has focused on supporting communities to make sure that they have the necessary skills and resources before completing any requests for asset transfers. Its Property Asset Management Strategy (2018-28) sets out the council's plans to develop an asset transfer policy. This includes raising awareness of the asset transfer process and supporting community groups to develop a working model to progress to a full asset transfer. Finalising the community asset transfer policy is considered critical to the delivery of the Community Property Transformation Programme.

106. The council has received one participation request to date. Strathblane Community Council asked to work collaboratively with the council on road safety issues. As a result, a short life working group was set up for a period of eight months. Members included council officers, representatives from the community council and other key organisations. The group met to consider an action plan for maintaining roads, footpaths and street lighting and this will be taken forward.

107. Participatory budgeting is a way of giving local people a greater say in how the council spends some of its money. Stirling Council is committed to enabling citizens to make decisions on at least one per cent of its mainstream budgets through participatory budgeting by 2020/21. The council is currently piloting its approach. In 2019/20, £700,000 will be divided equally between the seven council ward areas.

108. The council plans to hold outreach events in seven electoral wards. Members of the community will identify local priorities and make initial proposals for options. The ideas will be screened against specific criteria, ensuring they meet statutory duties. These options will be further developed by project teams which will include technical, legal, procurement and finance representatives alongside members of the community. They will be supported by community engagement staff. The community will then vote on the options digitally. There will be outreach events to encourage voting and target specific sectors of the community. The approved options will become part of the service plan and implemented in 2019/20.

The council needs to improve its community engagement

109. Stirling Council has a well-established community engagement team which works with communities across the council area. Members of the team also provide training and support to council staff. Other examples of engagement with service users include a dedicated youth forum and a group of young people with experience of living in care, who input into the work of the children and families team.

110. The results of the 2017 Scottish Household Survey indicate that, in general, residents continue to be satisfied about the level of engagement with the council. Of 280 respondents from the Stirling Council area, 25 per cent felt that they could influence decisions in the area (compared with 23 per cent nationally). Twenty-eight per cent said they wanted to be more involved in decision-making (compared with 33 per cent nationally).

111. The last residents' survey took place in June 2011. The council has since used other ways of engaging with communities. For example, as part of the PBB process, staff talked face to face with established community groups as well as the general public and used online voting. The council recognises that community engagement could be further developed to ensure that the most vulnerable and disengaged can meaningfully take part in decision-making processes. The council is helping communities to build capacity so that they can take on a greater role in prioritising and providing services.

112. There are plans to re-introduce a residents' satisfaction survey in 2019 and to explore other ways of engaging with the public. The council aims to gather user views in a number of ways and help people influence decision-making, for example through a large-scale survey, citizens' panel, website, question of the week and face-to-face discussions. Staff have been in discussion with other councils, such as East Ayrshire Council, to learn from their good practice in this area.

The size and structure of the Integration Joint Board makes taking decisions more challenging

113. Stirling and Clackmannanshire Councils established a single integration authority with NHS Forth Valley in October 2015. The Integration Joint Board (IJB) is responsible for some acute health board services, such as accident & emergency and unplanned or non-elective admissions, along with community health, social care, and mental health. The IJB is responsible for the strategic direction of services.

114. The IJB is the only health and social care partnership in Scotland that spans two local authorities. It is the second largest in Scotland, with 36 board members. Agendas are large and, at times, debates are cut short because of time constraints. The size of the board makes it unwieldy and reduces its effectiveness as a decision-making forum.

115. A finance committee was formed by the IJB in March 2018 to consider all financial performance information, including the monitoring of partnership performance against budgets. This committee has helped to ensure that the IJB and its partners now receives more regular and reliable information regarding progress towards efficiency targets and how this affects performance. Despite this and a further contribution of £0.400 million by the council in 2018/19, the IJB forecasts an overspend of around £2.5 million for 2018/19 which must be met by partners.

The council was slow to transfer responsibility for adult care services to the Integration Joint Board

116. The council was slower to delegate operational responsibility for adult care services to the IJB than other Scottish councils. The transfer of adult social care services was completed in September 2018. A joint inspection report of adult services in November 2018 noted that the different governance arrangements from the three constituent bodies created challenges around the understanding of financial accountability. It also observed that the IJB functions as three separate financial contributing bodies.

117. A key challenge will be delivering new ways of providing care, for example through the Stirling Health and Care Village (Case Study 2). To ensure that this facility is effective in providing care, partners must now learn from the findings in recent national reports from the Care Inspectorate and Audit Scotland.

Case study 2

Stirling Council worked in partnership with NHS Forth Valley and the Scottish Ambulance Service to create the Stirling Health and Care Village

- The Stirling Health and Care Village aims to provide a facility where people can get the support they need when and where they need it, with as little disruption as possible to their lives. It has brought together a range of health, care and other services on one site, in the centre of Stirling.
- The project aims to remove the artificial distinctions between different organisations, which are irrelevant to the person using the services. Staff working in the facility have a dual health and social care role, which makes it easier to respond to people's needs.

- Services include 116 beds for short stays (for example for assessment, rehabilitation or palliative care), general medical services, community nursing, a minor injuries unit, diagnostics, a GP out-of-hours service, an ambulance station and an ambulance vehicle workshop.
- 11,000 square metres of new accommodation will be built at an estimated capital cost of £34.5 million. The estimated overall capital cost of the project, which includes equipping the facility, is £37 million.
- Following approval of a business case in December 2016, the construction phase began in January 2017 and continued until summer 2018. The GP and minor injuries building was formally handed over in July 2018 and is now operational. The care facility (the Bellfield centre) was formally handed over in October 2018 and became fully operational by January 2019.
- This project pre-dates the establishment of the IJB, but it has been endorsed and approved by the IJB as it meets the aims of its strategic plan and has the IJB's full support.
- The partner organisations continue to meet at programme board level to evaluate performance, outcomes and impact. The board receive performance monitoring reports on a regular basis. Performance is measured against a range of criteria, for example the impact on acute hospital discharge times, satisfaction surveys from service users and their relatives, and formal inspections from the Care Inspectorate.

Source: Audit Scotland

The 2018 joint inspection of adult services found that performance is good in several areas but highlighted some areas that need to be improved

118. The Care Inspectorate, working with Healthcare Improvement Scotland, inspected adult services provided by the Clackmannanshire and Stirling Health and Social Care Partnership, and reported on their findings in November 2018.

119. Overall, the inspection found that services across the partnership were performing well, with evidence that the partnership has sustained and improved performance trends at or above the Scottish average. It also noted that the partnership has led to a positive shift in the balance of care, enabling more people to stay at home. For example, in Stirling, the rates of the under-65 population receiving home care and intensive home care are higher than the Scottish averages. In addition, the length of stay in care homes in Stirling for those aged over 65 is lower than the Scottish average. However, delayed discharges for Stirling have been increasing.

120. The inspection highlighted that there is regular communication between all three partner agencies at executive level in support of the current priorities of the IJB. However, while partners individually continue to develop specific health and social care services well, they do not function efficiently as a partnership, and still tend to operate as separate entities. This calls into question the commitment by all three partners to genuine partnership.

121. The report contains a few recommendations for improvement, including the need for the partnership to work with both council housing departments and registered social landlords to produce a coherent and shared strategic plan for accommodation across the integration authority.

Part 5

Is the council demonstrating continuous improvement?



Since the previous Best Value report in 2011, there has been a lack of effective officer and political leadership in demonstrating a systematic approach to delivering improvement.

The majority of council services perform above the Scottish average and are improving. However, the council cannot demonstrate that it is achieving all aspects of Best Value as its approach to self-evaluation has been inconsistent.

A more structured approach to self-evaluation is required

122. Over the last few years, the council's approach to self-evaluation has been inconsistent with no structured corporate approach. Although some internal self-evaluation and external service reviews have been carried out, there is no corporate wide improvement plan in place.

123. A performance board was put in place in August 2017. This board meets monthly to monitor the delivery of operations and to promote a culture of continuous improvement. The council recognises the need to have a more corporate and cohesive approach to performance monitoring and reporting to drive improvement. A corporate performance team, which was disbanded in early 2017, will be re-introduced soon to help coordinate activity.

124. Service management commissioned external consultants to review the roads maintenance service (2017) and the housing service (2018). In each of these cases the Senior Management Team at the time took the decision to commission these reviews based on poor performance information, self-reflection on the changes that had been made to the service structure and to meet the Administration's key priorities.

125. The roads maintenance report centres on a restructuring of the roads maintenance service to make it more commercial. Whilst the report was not formally adopted by the service management at the time or the action plan implemented, some improvements have been made since August 2018. This includes the introduction of a new costing system, additional team members, and a review of job descriptions and roles within the service. The council have recently established a task force group, including representatives from the supervisors and operational workforce along with the service manager, trade union and HR representatives. The role of this group is to address known issues and those identified in the consultant's report.

126. Previously, improvement plans were produced after each Public Sector Improvement Framework (PSIF) self-assessment; however, these have not been produced since 2016. The council now plans to undertake a service-wide PSIF assessment based on the new checklist approach, piloting it in children's services. Following this, a three-year corporate self-assessment plan will be produced.

The council is realigning its transformation agenda with its five-year business plan

127. The council's project management of its transformation programme has evolved since the last Best Value report in 2011. A Change Programme Board was established in 2012. This was supported by a Work Stream Leads Group which was responsible for making recommendations to the CMT who were responsible for the governance of the change programme. Then, in 2014 a Sponsoring Group was established to govern the programmes of work. The 2016 restructure resulted in the programme management function sitting within Corporate Services and the Boards/ Groups were restructured. This resulted in the formation of a Strategic Transformation Board which was responsible for strategic direction and a Strategic Delivery Board which was responsible for operational matters. These arrangements operated for around one year.

128. Currently, the council has a transformation agenda consisting of six programmes and 27 projects. These were identified following the formation of the Transformation Portfolio Board in August 2017 and include some projects which were on going at that time, as well as ones formed in order to meet the council's key priorities and gaps in service. Currently, the transformation programme and projects budget and benefits delivery are managed through the Performance Board and through the PBB process. The Transformation Portfolio Board oversees and governs the transformation portfolio – that is, all the transformation agenda's programmes and projects; and holds projects and programmes to account. Its remit was revised in June 2018, to provide the strategic leadership needed to ensure that the transformation portfolio meets the council's strategic aims. The board meets monthly and is chaired by the Chief Officer, Strategic Commissioning & Customer Development. The revised remit of the board means that it is now responsible for managing the competing priorities of the various transformation programmes and projects and allocating resources accordingly.

129. The 27 projects span all council services and include:

- support for looked after children
- fostering
- redesign of neighbourhood care in rural West Stirlingshire
- smart energy
- enhanced learning
- centralised depots and
- connecting customers better to council services.

130. The council is further reviewing the terms of reference, programmes and projects within the transformation portfolio. It intends to align this portfolio with the five-year business plan. The council also intends to determine where it needs to fundamentally transform delivery of services in order to meet the ambitious goals within the Stirling Plan and the five-year business plan. A review is currently under way with all senior managers and the chief executive to set out how the new transformation portfolio will look and what it aims to achieve. The council plans to engage with the Centre of Excellence at the Scottish Government and ensure that rigorous Gateway Reviews are carried out for the new transformation portfolio and its programmes.

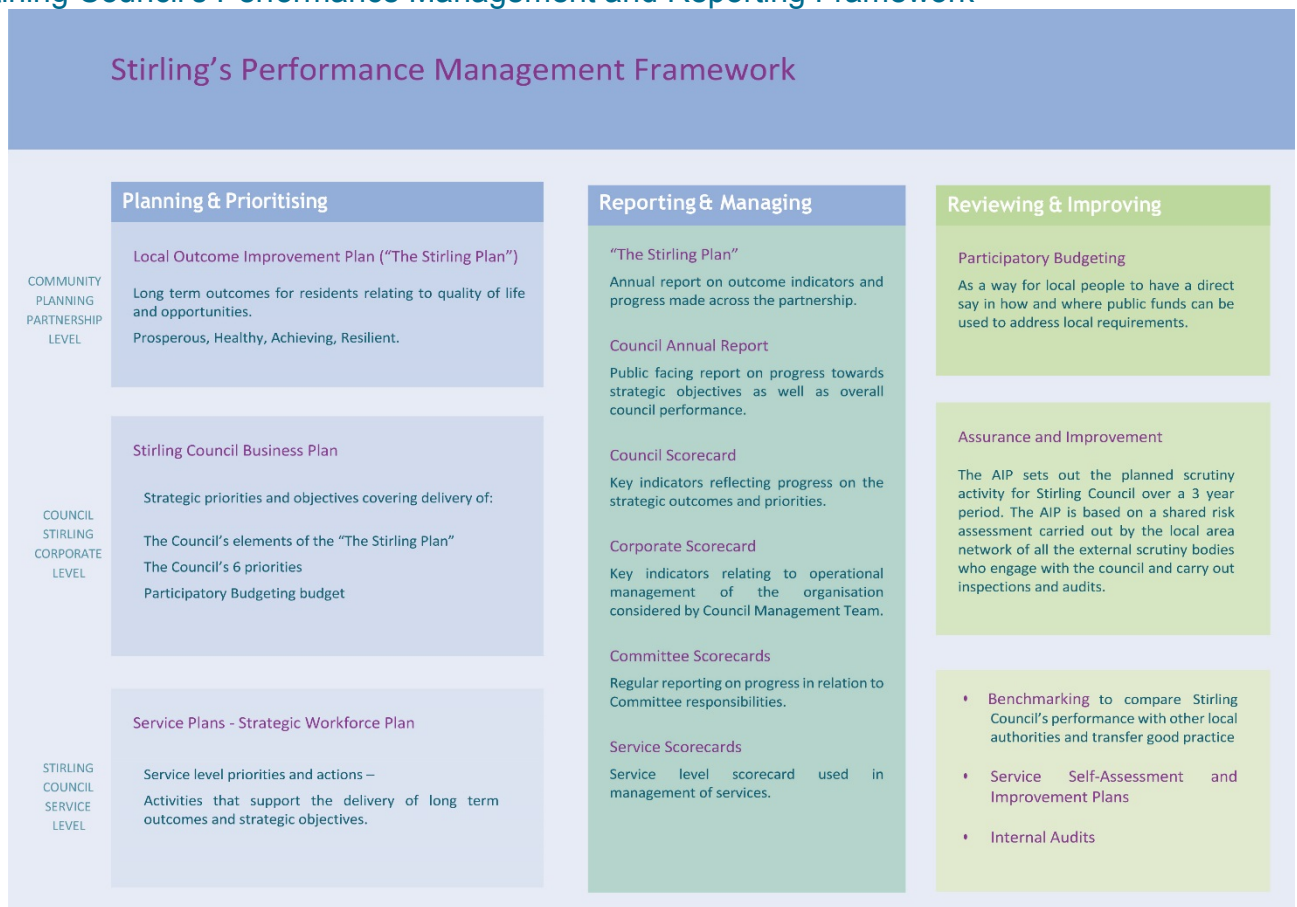
131. At the same time as reviewing the transformation portfolio, the council is also looking differently at digital delivery. It plans to create a digital portfolio to enable it to meet the goals of its digital strategy, aimed at providing better quality information on services. This includes improving the ways in which citizens can interact with the council. This digital portfolio will also be governed by the Transformation Portfolio Board.

132. As the number of priorities increases, additional investment and prioritisation, based on business cases, of the council’s transformation objectives will be needed. As noted in Part 3, the council has set aside some of its general fund balance to help finance this. The council should ensure that it has mechanisms in place to demonstrate progress made in each of these projects and the impact they have on the community.

Progress has been slow in implementing an effective performance management framework

133. An effective performance management framework is a key part of a council’s self-evaluation processes to identify areas where improvement may be needed. The 2011 Best Value report said that the council’s performance management framework needed development. While performance management arrangements have been refined and updated since 2011, progress has been slow since that time. There has been an acceleration in progress in the last six months. It is essential that that this is sustained. The refined organisation-wide Performance Management and Reporting Framework (PMRF) is summarised at [Exhibit 10](#).

Exhibit 10 Stirling Council’s Performance Management and Reporting Framework



134. The refined PMRF aims to:

- strengthen the links between strategic priorities and service planning
- ensure the effective use of data to make improvements
- raise awareness, define ownership and deliver training to support the new arrangements.

To date, the council has been unable to demonstrate that this framework has been effective in focussing improvement against its priorities.

135. The council also took into account statutory performance requirements as well as a need to develop revised corporate, committee and service scorecards to measure performance in various areas based on pre-determined performance indicators. This has been under development for some time. The council should improve how it uses benchmarking to identify where improvements should be made. For example, the council does not use the family groups of the LGBF. In addition, there is no evidence that any analysis that the council have carried out on LGBF data has led to the development of any action plans to improve services.

Scrutiny focuses on improvement at a service level, but this needs to be developed at a corporate level to ensure that corporate priorities are addressed

136. Since January 2018, service scorecards have been part of the performance management system. This now provides more visible interactive data, with instant access to live performance information. There have been some refinements to performance indicators, and dashboard reports are provided to management. This has provided service management and the CMT with access to all performance information in one central repository for the first time. The scorecards and indicators are still under development and the council aim to link these more closely to its priorities.

137. Key performance metrics are monitored by service committees and these form a key part of service plans and overall service performance monitoring. Performance indicators are included in the senior manager scorecards and service manager scorecards, and the high level measures against which performance is judged are listed in the five-year business plan. The monitoring and reporting of service plan progress is now coordinated by the council's Portfolio Management Office and supported by the performance management system.

138. The council's service committees receive regular performance reports throughout the year. These monitor progress against the council's service objectives. Performance scorecards and progress reports have been updated to reflect the six priorities set by the council to be delivered over the five years of the new administration's term.

139. We acknowledge that service management use this data to address the poorer performance in certain areas. However, the council needs to make more use of the data at a corporate level and ensure that the data is used to trigger required improvement activity. It should also be used to demonstrate that limited resources are directed to areas in which they are required most to address council priorities and competing improvement requirements. It is expected that the revised remit of the Transformation Portfolio Board and the Performance Board will address this.

Since the last Best Value report in 2011, the council's services have continued to perform well, but progress has been slow in demonstrating a systematic approach to continuous improvement.

Exhibit 11

Comparison of Controller of Audit Best Value judgements over time

2011 Controller of Audit judgement 2019 Controller of Audit judgement

<p>Service performance: Service satisfaction with council services is good and improving. Many services are performing well and improving.</p>	<p>The council does not clearly report performance against its priorities. National performance data shows that services are performing well.</p> <p>Service satisfaction exceeds the Scottish average in over half of the indicators, but others perform less well. (Part 2)</p>
<p>Leadership and strategic direction: The council demonstrates a clear vision with strong collaborative leadership between councillors and officers and across political groups. There is scope for statutory officers to better exert their influence and to improve corporate working below the CMT level.</p>	<p>The council continues to have a clear strategic direction, supported by plans to achieve its objectives. There is evidence that councillors and officers are working together to achieve the council's priorities, and this is also evident across the political groups.</p> <p>Changes to the senior management team have slowed the rate of progress.</p> <p>There has been a lack of effective officer and political leadership in demonstrating a systematic approach to delivering improvement. (Part 1 and 5)</p>
<p>Performance management: The council is self-aware and leadership has a clear focus on improvement. Performance management has improved since the 2005 Best Value report but there remains scope to further develop the performance management framework throughout the organisation to include reporting against outcomes, and service quality and value for money indicators.</p>	<p>The council's approach to self-evaluation has been ad-hoc with no structured corporate approach.</p> <p>The council's performance management framework is still not effective at delivering improvement. The council is not able to identify key indicators to demonstrate service quality and improvement.</p> <p>It is not clear how LGBF data has been used to deliver improvements. (Part 2 and 5).</p>
<p>Use of resources: The council has made positive progress in resource management. The council has a good budget planning process and takes a medium-term financial perspective. Workforce planning has improved but the council must apply its workforce planning fully across the organisation. The council should also take a more strategic approach to people management, asset management and procurement to build on progress made in these areas.</p>	<p>The council demonstrates strong financial management supported by a robust and transparent budget-setting process that has helped to identify and deliver savings. Improvements to asset management have been implemented in recent years.</p> <p>A comprehensive and coordinated approach to workforce planning is in place. The council has developed a strategic approach to effectively managing its assets, and management of the capital programme has improved in the last couple of years. (Part 3).</p>
<p>Partnership working: The council and its partners have set a clear vision for Stirling and the council actively promotes partnership working. The council has made good progress in working in partnership with other bodies – however, there is scope to rationalise partnership structures and to improve management and reporting arrangements for the CPP.</p>	<p>The council and its partners continue to have a clear vision for Stirling. The council is also working well with its City Regional Deal partners to boost economic growth. Community planning partners are committed to working together but there is scope to improve management and reporting structures. There is also potential to further develop community engagement. (Part 4).</p>

2011 Controller of Audit judgement 2019 Controller of Audit judgement

Staff engagement: The council was committed to developing the leadership skills of managers and there was a range of communication tools in place to keep staff informed. Some aspects required to be improved including the development of stronger corporate working below CMT level; and consulting regularly with staff to monitor the impact of the change programme and other improvement activity.

Consultation with staff has been sporadic and levels of engagement vary. There were no staff surveys from 2008 until 2018. Some initiatives are in place to keep staff informed, including the 'big huddle', which has been in place since 2014. (Part 3) Findings of the recent survey are being used by the CMT to address the issues raised.

Recommendations



The council needs to introduce a structured approach to self- evaluation to deliver continuous improvement. In particular, the performance management framework needs to be refined to identify and prioritise areas for improvement in line with the council's priorities. (paragraphs 122,133)

The council should demonstrate that they use benchmarking and customer satisfaction information to identify areas for improvement and identify other councils that they could discuss good practice with. (paragraph 30,41)

Performance reports for councillors should be refined to include key indicators which show performance over time against the council's priorities. (paragraph 26)

The council needs to improve its public performance reporting, to show a summary of the council's performance against the business plan objectives. (paragraph 37)

Councillors should increase attendance at training courses and agree on actions to improve attendance rates. Personal development plans for councillors should be considered. (paragraph 24)

The council should develop a more regular and structured approach to staff consultation and engagement (paragraphs 71)

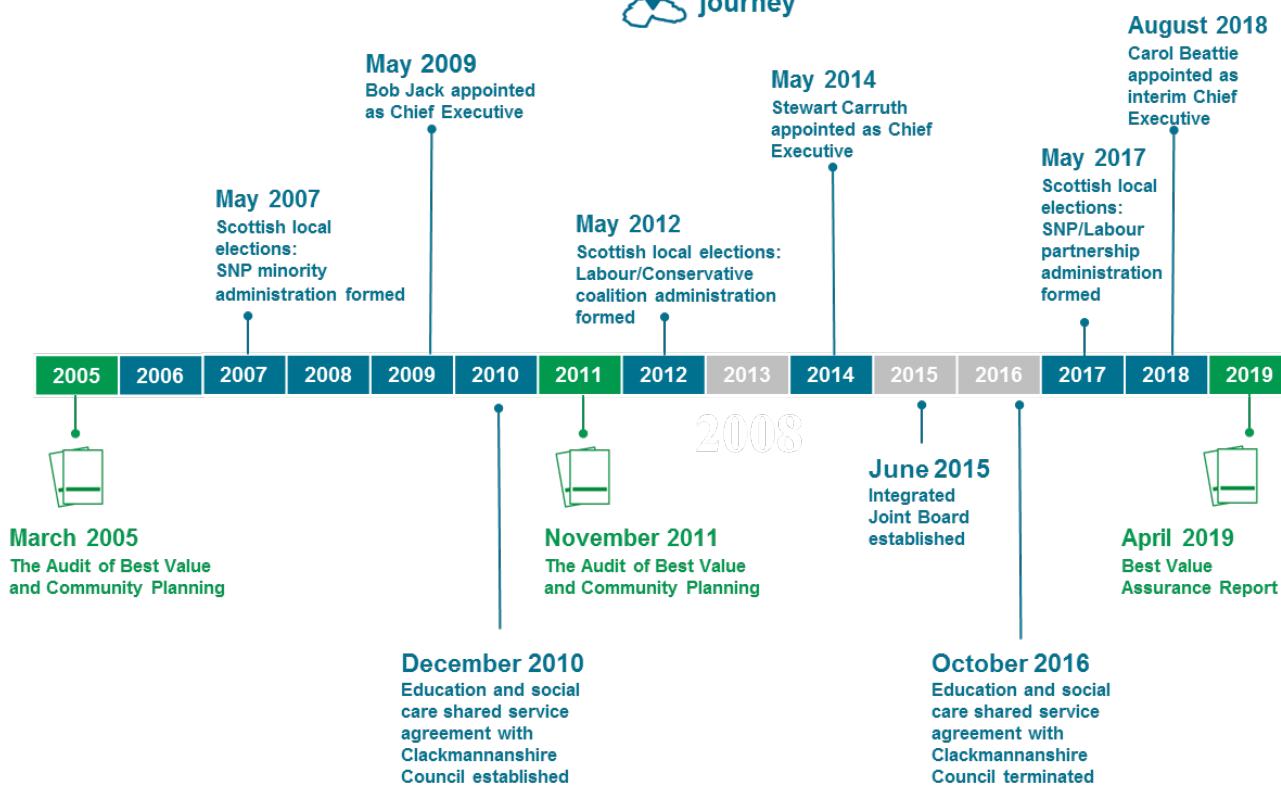
The council should complete its residents' satisfaction survey in 2019 and demonstrate how it uses the results to inform future council decisions. (paragraphs 42)

The council needs to approve the three outstanding locality action plans without delay, to comply with the requirements of the Community Empowerment (Scotland) Act 2015 (paragraph 16)

The CPP should complete its review of reporting structures and report performance against its local outcome indicators. (paragraph 99)

The council should review and report on whether the structure of its ALEOs remain fit for purpose. (paragraph 89)

Appendix 1



Stirling Council

Best Value Assurance Report

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